

The Economist

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OCTOBER 1, 1955

ONE SHILLING



Tory Thanksgiving?

The Council Housing Nettle

The Algerian Dilemma

Boom in the Bard

Wheat in Plenty

More and More Tankers

AMERICAN SURVEY: Heart Attack

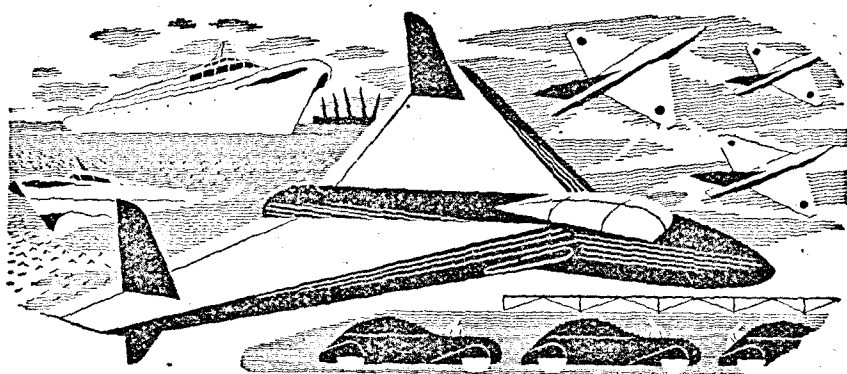
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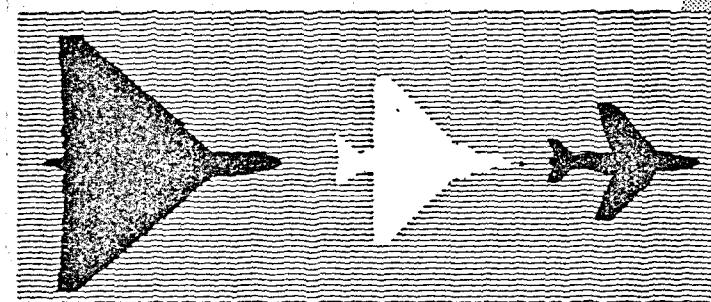
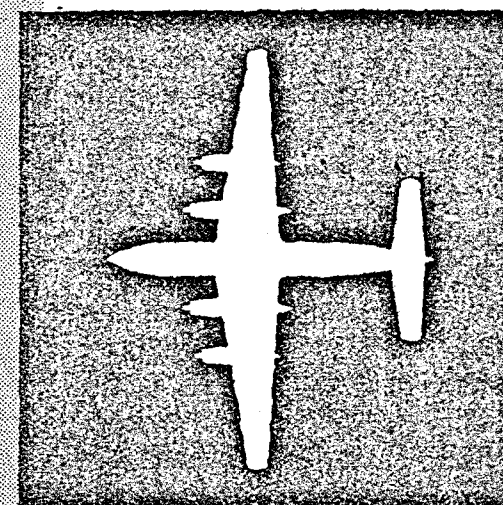
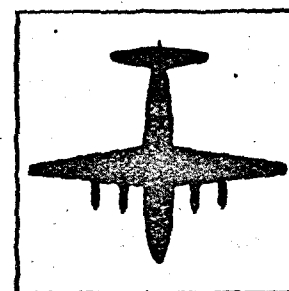
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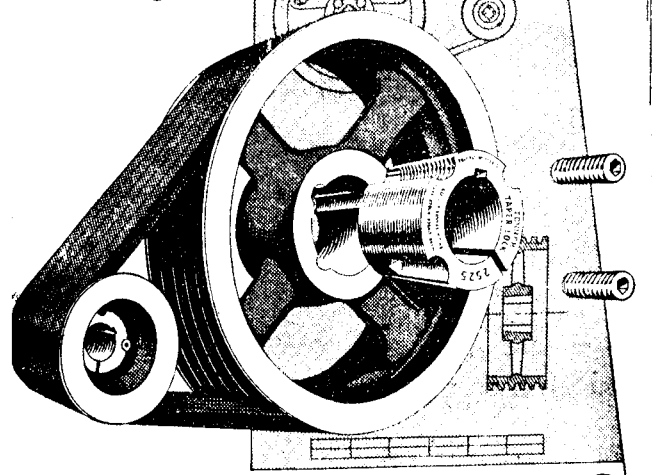
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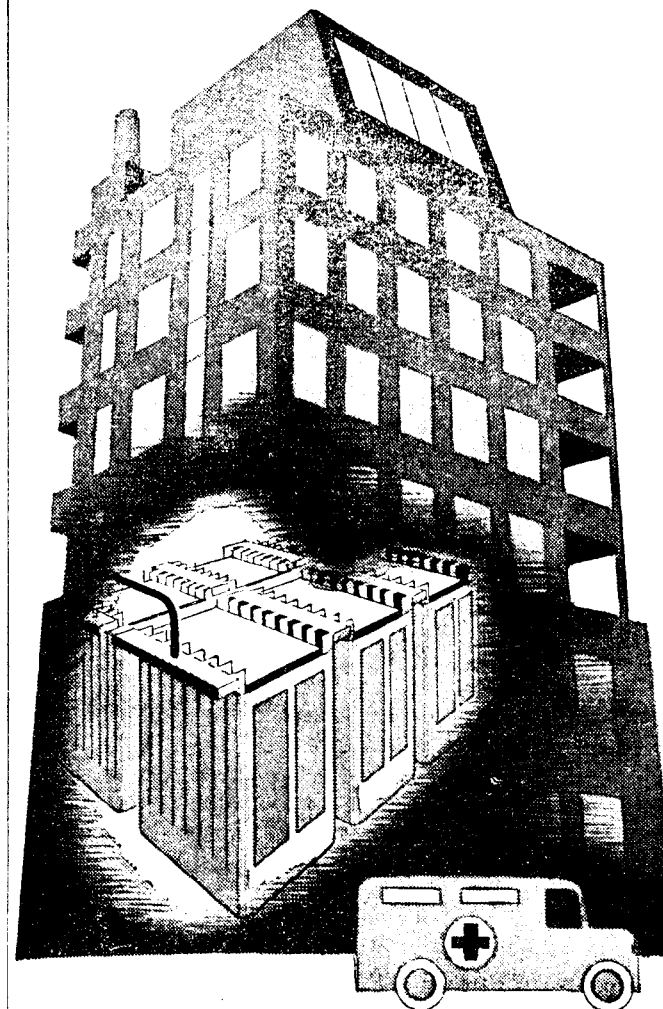


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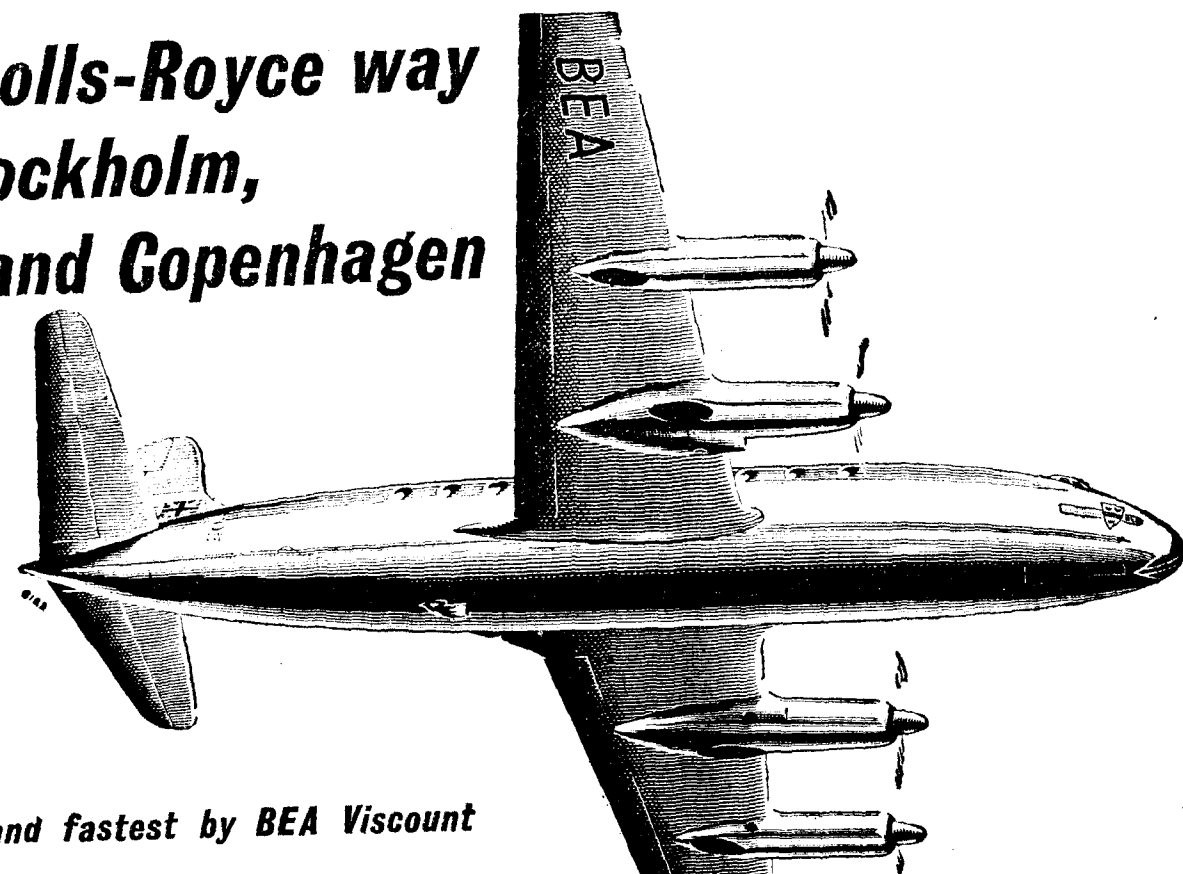
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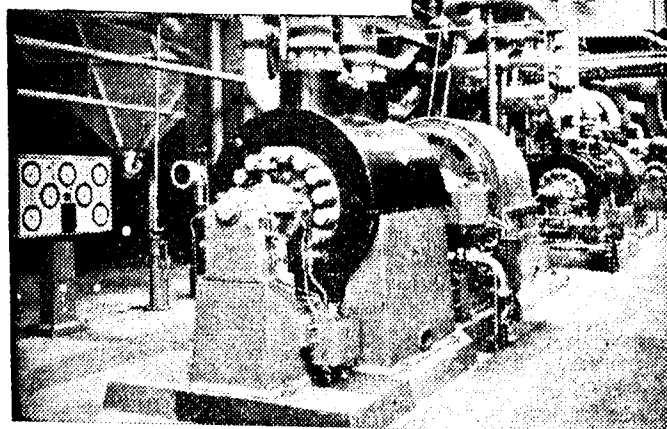
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Tory Thanksgiving?

N OBODY expects much that will make big headlines to escape between the rounds of applause at the Conservative annual conference at Bournemouth next week. Most of the journalists there will be looking forward to a more gossipy time at the Labour assize the week after. They have got used to this. As long ago as 1948 Lord Woolton was tactfully explaining that because Tory ranks were closed in the face of the enemy, the press might find the proceedings dull; but in 1955, when the enemy is sprawling on his back, the ranks are likely to be found as obediently solid as before victory was won. The platform will make its bow to the floor and tell it that the devotion of the rank and file pulled in the votes that carried the day last May. The floor will applaud the platform and especially the new leader. Need anybody except the journalists be disappointed about this? The answer is surely that although few people would really like these massed delegates from the Tory backwoods to rise above their proper constitutional station, yet if the platform should find the clapping a little thin here and there, it might be a good thing. It would show that the vote-collecting end of the party was not entirely complacent about the policy-making end.

The annual party conference does not make policy. Its function, as Mr R. T. McKenzie put it in his recent book, is rather like that of Bagehot's constitutional monarch. It has "the right to be consulted, the right to encourage and the right to warn"—but no right to transmit the party's instructions to its leaders. What matters is the sense of the meeting, the currents of confidence or anxiety set up when the platform meets the floor. This is not a negligible factor, even among the Tories. Certainly, if the conference shows any

Editorship of *The Economist*

Mr Geoffrey Crowther, who has been Editor of *The Economist* since October 1, 1938, has expressed the wish to retire from that position on March 31, 1956, and the Board of Directors of The Economist Newspaper Ltd. have accepted his resignation with regret. It is intended to appoint Mr Crowther a Managing Director of the company, and he will continue to devote the greater part of his time to its affairs.

With the approval of the Trustees, the Board have appointed Mr Donald Tyerman, at present a member of the editorial staff of *The Times*, to fill the vacancy. Mr Tyerman served with *The Economist* from January, 1937 to September, 1944, latterly as Deputy Editor. He will be rejoining the staff on January 1st and will take up his duties as Editor on April 1, 1956.

unexpected signs of intelligent restiveness, Sir Anthony Eden should take warning; the Tory machine is sensitive to the trend of feeling in the country, even if it is not always sensible about what should be done to meet or to forestall it.

And, if it is not restless, he should perhaps be even more on his guard for the future. Prime ministers are not infrequently slaves of the circumstances in which they won office. Sir Anthony may yet find it a misfortune that he has risen to the leadership during a period in which his party has been gathering the dividends of success: it is not only in the City that dividends are too often mistaken for the permanent return on a fixed interest security. Instead of riding the social revolution from decade to decade, as the Liberals rode reform after 1832, the Labour party has come a fearful cropper. But it would be incredibly unwise to assume that socialism is completely on the run and that Labour must virtually disappear with the retreat from nationalisation. The Labour party is a party, not a policy. It needs a policy; but it derives a lot of its strength from the failures of its opponents. Similarly, the Tories are in the ascendant partly because of Labour's follies, partly because they have purloined so many of Labour's garments. The appeal of mid-century Toryism is that it contains all that is best in socialism—but without its controls, queues and general heartbreak. It is an appeal that has temporarily managed to capture the progressive vote.

The Tories' problem, after four years of successful

absorption of the social revolution, is to keep their new faith moving forward. The floor of the conference cannot tell the platform how that is to be done; though pressure groups will put up their regular demands to edge it back a little. The fact is that a whole series of problems loom—labour relations, agriculture, defence, subsidies; all revolving round the central economic issue. The platform's main object should be to convince the floor that these issues will be systematically met, and that in meeting them the Government will give the Tory rank and file a sound case to take to the electorate—the sort of case that smashed the socialist argument about “rationing by the purse” when controls were removed.

But in providing reassurance, in making its bow to the floor, the platform should not give way to particular pressures. It need not do so. If it knows its mind, and has a policy, it can give a packaged promise of action that will carry conviction; and applause will carry the hall before people start calculating whose toes are going to be trodden on during its fulfilment. If there is one slogan that deserves to be written in letters of fire above the conference hall, it is that the Tory leaders are riding a bicycle; they must keep pressing forward or they will fall down. The worst service that the delegates could render would be to give them the impression that they are sitting on a coaster instead. Perhaps that will be easier at Bournemouth than it would have been at Margate or Blackpool.

The Council Housing Nettle

WHEN a Government looks as if it is going to try to be rather brave, it may seem a little harsh to urge it to show really white hot valour. But, as Mr Sandys braces himself to face the housing problem, nothing is more important than to remind him of the old slogan about “sheep, not lambs.” He is going to need a particularly nice sense of discrimination between these two animals if—or surely one can say when?—he broadens his promised assault upon the local authorities' housing subsidies to an assault upon the even more pernicious distortions caused by the Rent Restriction Acts. But since Mr Sandys's discussions with the local authorities are just about to begin, it will be best to confine comment this week to their problem alone. In the field of council housing the difference between lambs and sheep is quite clear.

The meek lamb of a reform will be to say that the subsidy which the central government must pay to the local authorities on each house built in the past has already been fixed, and that it would be a breach of faith to try to change it; the only room for manoeuvre, on this view, lies in the subsidies that will be paid from the central government to the local authorities for each house built in the future. It is easy to under-

stand why Mr Sandys is going to be under great—indeed probably irresistible—pressure to take this course. The subsidy on new houses is fixed every year, and it is the only part of the Exchequer subvention that could be cut without introducing what might be regarded as retroactive legislation. It is also the part that could be cut with a minimum (even if still quite a big minimum) of fuss and with a maximum of administrative convenience.

The so-called Bevan formula that is generally used for fixing subsidies on new houses is fairly widely recognised to be illogical. Under this formula the Government pays two-thirds, and local authorities themselves pay one-third, of the sum needed to bring the rent of a standard new house down to a sum equal to one-tenth of one average industrial worker's earnings. (The “average” industrial worker is a statistical abstraction rather than a tenant, and in any case at least half of the families now in council houses are believed to have more than one breadwinner.) By custom and cajolery, the impact of even a limited reform of this formula would probably—and initially—be fairly widely spread once it reached down among the tenants themselves. No local authority would be

likely to put the whole burden of a cut in subsidies for new houses on to the tenants of those new houses alone; nearly all of them would raise rents on existing houses as well, and many might accept Mr Sandys's view that the best way to do this would be by differential rent schemes, whereby the rent that each tenant paid should depend partly upon his income.

A reform of this kind would, therefore, have several good effects. But there are two reasons why the Government should not be satisfied with it. The first reason is that, if all subsidies on existing houses remain as they are, there will be no reduction in the present burden of subsidies on the taxpayer; all that will happen, if the rate for new houses alone is cut or even abolished, is that the annual growth in subsidies will be slowed down or checked. The second reason is even more important. It can never be too frequently repeated that the main object of housing reform is not merely to save the Government money; it is to try to ensure a better use of existing accommodation, and the only way to do that is to see that people who are at present paying too little money for too much accommodation are squeezed by higher rents—so that they are given the incentive to move out. The only direct incentive from a cut in the subsidy on new houses would be to slow the rate of new housebuilding, which is one of the purposes that any reform should aim at but by no means the main one. Only in areas where the rate of new building could not be or was not significantly slowed would existing tenants be obliged to pay more economic rents—and thus given the goad to make more economic use of existing accommodation. This would be widely regarded as unfair; but, even more important, it should be widely recognised as inefficient.

Is there any way in which these disadvantages could be avoided? The answer, of course, is that they could only be avoided by changing the whole basis of housing finance, for old houses as well as for new. If Mr Sandys is really going to follow a policy of “sheep, not lambs,” then he will have to cut the Exchequer subventions into an entirely new pattern, where they will themselves form the incentive, or even the complete machinery, for imposing differential rents schemes on local authorities' tenants. And to do this he will have to go back upon—or rather to codify into a new system—the promises that have been contained in, and are still being fulfilled from, four or five different Housing Acts over the past thirty-five years. The mildest new system that would make sense would be regarded by most people as a very radical change. Its essential feature should be to say that local authorities should no longer be paid a subvention from the Exchequer according to the number of houses that they own. They should be paid a subvention according to the number of needy families whom they house.

Under this system, the councils would no longer get any grant for houses occupied by tenants who could

afford to pay full economic rents, that is to say rents based either on free market prices or on the replacement value of their house. But for needy tenants, including needy new tenants, the flow of funds from the central Exchequer to the local authorities would continue, and be determined by some national criterion of assumed ability to pay. Probably the best system would be to judge need by income tax groups (and income tax coding numbers), although in this case wage-earning children, and not merely wives, should be counted with the male householder as a single income tax unit. Indeed, a good case might be made for going further: for saying that rent assistance with taxpayers' money should be taken out of the hands of local authorities altogether. Under this scheme the councils could continue to build houses and to say who should have them, but would recoup themselves by charging each tenant a full economic rent (as modified by a subsidy from the rates if councillors wished); the tenant could then draw Exchequer assistance, determined strictly according to need and not according to the size or age of his house, perhaps from the local post office like family allowances.

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These are the radical choices. It is most unlikely that Mr Sandys will plump for either of them, but outside commentators have a clear duty to urge him on. There can be two replies to the charge that any such schemes would put the Government in flagrant breach of its predecessors' contracts under previous Housing Acts. First, if Parliament has the sovereign right—and nobody denies that it has—to nationalise a private industry, then it surely also has the right to nationalise or partly nationalise a municipal service such as rent assistance. Secondly, there is no contract between any public authority and the people living in these houses; the people living in a particular house rarely get the exact subsidy that was attached to it by whatever Housing Act was in force when it was built. There are merely contracts between the central and local authorities, that is to say between one branch of government and another.

And, in this respect, fate for once seems to have been kind in its timing. Next year the whole basis of local government finance is due to be overhauled. If the Government has any hope of cutting the subsidy bill, at any time before the current series of Housing Acts expire towards the turn of the century, then now, at the beginning of a Parliament and with this overhaul of local government finance just over the horizon, is the best opportunity it will get. If it does not take this opportunity, then the most that it can hope for is that the subsidy bill, instead of being cut, will be temporarily stopped from rising—and stopped in a way that is likely to create new strains in time. A Government of Tory Reform should consider very carefully for which sort of animal it is most willing to risk its neck.

The Algerian Dilemma

THE educated Algerian Moslem is often indistinguishable in appearance and aspect from a southern Frenchman, but, if he is a practising Moslem, he may, nevertheless, confide to a European intimate that his life is poised between two worlds. He lives on a knife edge, on one side of which lies Paris, beckoning his intellect; on the other, Islam, Cairo and Mecca, offering spiritual sustenance that he finds nowhere in Europe. The thought of making a choice between these worlds disturbs his peace of mind, and hitherto he has been content not to have to make it.

This passivity has led many Frenchmen to forget that the choice exists. They see their Algerian Moslem colleagues and compatriots in terms of equation with themselves—of equal access to a vote, the Sorbonne, the *Ecole Normale*, high rank in the army, a seat in the French Assembly. They see Algeria as the home of a million Frenchmen whose industry has endowed it with flourishing vineyards and crops, a mining industry and other benefits; they see relatively little evidence of its Islamic affiliations and of the demographic pressure that makes most of it a backward area. And so they harbour the complacent conviction that "Algeria is part of France."

This week, however, that slogan has received a blow from which it will probably never recover. On Monday, the Second College of the Algerian Assembly, which consists of the sixty Moslem members elected entirely by Moslem voters, first agreed that any minority would abide by its majority decision, and then decided by a large majority to reject the policy of integration with France that had been reiterated in a broadcast by M. Faure only the night before. Its members also decided not to take their seats in the Assembly on Tuesday, when it was due to debate the reforms which the present Governor-General, M. Soustelle, has at last brought to the boil. M. Soustelle therefore postponed the discussion, for, had he held it, not only would the session have been dominated by French *colons* who are bitter opponents of the changes, but it would also have been farcical, being representative of only one-tenth—the European tenth—of the population of Algeria. The purpose of the Faure-Soustelle policy was to create, or re-create, a pro-French Moslem group in Algeria; and for the moment the Moslems most likely to support that policy have paralysed it.

The shock they have administered to French opinion is the greater for being abrupt. Their very membership of an Assembly that Algerian nationalists have good reason to regard as rigged by the French authorities marks them as a pro-French element. Last January—that is, two months after their more extreme compatriots had started the present rebellion—46 of them made their first showing of independent action by sending a delegation to Paris to protest at disgracefully

arbitrary police methods of handling suspected rebels; but all that they then asked for was equal treatment with Frenchmen and a "loyal application" of the unfulfilled statute of 1947, by the terms of which Algeria was to remain part of France while obtaining a greater measure of management of its own affairs. As lately as July, one of the most highly "assimilated" of their number, M. Bendjelloul, in an admirable speech in the French Chamber, pointed out that there were three courses open to France in Algeria—independence, federation and integration—and added that of the three he preferred integration.

The first intimation that these assimilated Moslems were thinking otherwise came as lately as September 2nd, when four of them called on M. Faure. All four were deputies to the French Assembly; each sported the label of a French, not an Algerian party; so much was their attitude taken for granted that the Prime Minister detailed a subordinate to see them. But they had come to say, with M. Bendjelloul as their spokesman, that the Moslem members of the Algerian Assembly were no longer in favour of integration. In a word, that they were Africans.

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What caused their change of heart? Undoubtedly the immediate reason for it was the revulsion of feeling caused by the violent methods used to repress the revolt on August 20th in the most easterly Algerian department, that of Constantine. As the cream of French newspapermen in Algeria have borne witness, many Frenchmen, too, are revolted by the mass reprisals and indiscriminate punishment of the innocent that have taken place in response to the demand of the *colons* for protection. The four Moslem deputies who paid the call on September 2nd were all members for Constantine.

But behind this immediate reaction lies a grievance of longer standing—a conviction of French bad faith. The Statute of Algeria became law in 1947. Since then, the Algerian Moslems who have tried to work the parts of it that came into force have seen the rest of it pigeonholed through the efforts of the richest and most powerful section of the French community—who want to retain their paternalistic supremacy, and therefore seek to frustrate representative government. Many of the reforms now tabled by M. Soustelle were prescribed in the statute—the promotion of local government reforms that would convert the French administrator from a dictator into an adviser, the adoption of Arabic as a language of instruction, the abandonment of French control over religious appointments and finances. Today even moderate Algerians are disillusioned because, again and again, they have witnessed

the same cycle—a Moslem rising or strike in support of these rights, a response by successive French Ministers of the Interior in the form of "new proposals," a violent reaction from the *colons* and their pressure groups in Paris, a declaration by someone in authority that the institution of reforms in response to rebellion places a premium on violence, a consequent postponement of action, and a return to the start of the cycle. As often as not, the reason for going back to the beginning is the fall of a government in Paris.

Today, this rising tide of Algerian dissatisfaction is swollen by the news from Tunisia and Morocco. To the east, Tunisians are grappling with serious economic problems, but doing so contentedly because they are working under their own steam; to the west lies an even more depressing spectacle—the sight of Moroccans fallen victim to the indecision of a French cabinet that has placed party considerations in Paris before the well-being of North Africans. It is possible for Frenchmen to argue that other influences have been at work, such as inflammatory broadcasts from Cairo and Moscow. But these have had no effect on the decisions of M. Bendjelloul and *assimilés* of his ilk; for their conversion into opponents of integration, the shortcomings of successive French governments are alone to blame.

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It is only fair to add that over the many years of political procrastination, the French Treasury, the French investor and the hard work of the French *colon* and administrator have done a great deal to raise the level of production and wellbeing in the territory. The visitor to Algeria comes away laden with glossy and excellent literature about a volume of investment, public and private, that puts the World Bank in the shade, a decline in infant mortality that leaves Egypt far behind, a tenfold increase in the school population between 1900 and 1954, a current annual increase of 1,000 per annum in the number of state school teachers. He will also see much good work in the realm of European enterprise—vineyards brought back to prewar production, citrus orchards the yield of which has doubled between 1940 and 1952, booming cement factories and satisfactory results in the iron and phosphate mines. But against this good record must be set two factors. The first is that economic advancement under alien management never satisfies the yearnings of nationalists who are being educated to run themselves. The second, more peculiar to Algeria, is that the French success story has a seamy side because it has created fresh problems that have outrun France's strength.

Health services are producing a rise in population so rapid as to be reducing, not raising, the proportion of cultivated hectares to the number of mouths to feed, and two million Algerian children are not yet in school. A combination of French urban enterprise, of farm mechanisation, and of rural want, has vastly increased the tendency of the Moslem to flock townwards

(Algeria's urban population was 16.6 per cent in 1906, 24 per cent in 1948), and indigent town populations are notoriously more expensive to provide for, and more alive to their discontents, than indigent rural ones. Even the unlettered Algerian is fast becoming aware that his average individual income is negligible compared to that of a Frenchman; the figures are 240,000 francs per annum for a family in France and 54,000 in Algeria, the latter figure becoming 30,000 (that is, £30 per annum) for a Moslem family if the Europeans and North Africans are computed separately. It is small wonder that most of the postwar consumption industries in Algeria are flagging for lack of local purchasing power. Perhaps 75 per cent of Moslem families can afford nothing beyond their subsistence needs.

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Only now is this aspect of the Algerian scene becoming common knowledge in France. This year, it has been painted in its sombre colours by two or three government commissions, all of which conclude that only by immense further expenditure—expenditure that falling Algerian budget receipts cannot possibly meet—can the territory keep abreast of its population problem and maintain present levels, let alone improve them. It is at once apparent that dissident nationalists, now led by dissident and fluent *assimilés*, have fertile soil in which to sow the seeds of discontent.

But another reflection emerges from the alarming statistics. France is idealistic and sincere in preaching its policy of integration; only this week the Ministry of the Interior has allotted the first of a fresh series of large grants on current account to be paid into the Algerian exchequer annually until 1962. But many Frenchmen in France are beginning to ask themselves how a territory so backward is to be "integrated" with the standard of living of the metropolitan country without ruining the metropolitan taxpayer in the process and without, in the end, placing his fate in the hands of a mounting number of African deputies in the French Assembly.

A settlement of the fate of Algeria is going to be far more difficult to achieve than one in Morocco. More Frenchmen with vested interests at stake intend to obstruct it; the much graver economic problems restrict the room for manoeuvre available to Moslems as well as to Frenchmen; the Algerians, for lack of any one leader to whom to turn as their spokesman, may well find themselves as divided on the issue as a French cabinet. British observers of the scene would do well to think what their feelings would be if there were twenty-five times as many European residents in Kenya as there now are, and if the White Highlands were only 470 miles from the white cliffs of Dover. M. Mendès-France fell on the Tunisian issue; M. Faure is wobbling on the Moroccan one. What French statesman is in a position to collect a cabinet capable of bringing to birth a federation with Algeria?

Boom in the Bard

THOSE who greeted with lamentation the birth of commercial television, who fear that its search for crude profitability may strangle the already feeble educational influence of the BBC, can take some comfort from the news that one of the most popular playwrights to produce is Shakespeare himself. The boom in the Bard is admittedly not new; it has been flourishing for many years. But it has reached a new intensity. One of the two Stratford companies, headed by Sir John Gielgud and Miss Peggy Ashcroft, has just finished a short season in London, during which the Palace Theatre has been packed. At Stratford itself, where the other company is headed by Sir Laurence Olivier and Miss Vivien Leigh, there has not been an empty seat since the season opened last April. At Regent's Park Mr Robert Atkins has at last had suitable weather for his open-air productions, and 175,000 people have attended. The Old Vic's new season recently opened with *Julius Caesar*, and looks like being as successful as the last two seasons, throughout which the house was filled to an average capacity of 85 per cent—a degree of success rarely equalled in the commercial theatre.

Is this boom one of the fruits of universal secondary education? Those who are concerned with the production of Shakespeare are inclined to take the opposite view. They complain that the way Shakespeare is "done" in the schools can put people off him for ever; that his poetry is forced upon children who are too young to understand it, and ruined for those who are old enough by the compulsory conning of grammarians' glossaries. The repellent effects of these processes can be exaggerated; most people seem to regard with affection the plays they did as "set books" at school, and Shakespeare surely owes something to the examination grind that is now so out of favour. But more glamorous influences than the schools have been at work.

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The present popularity of Shakespeare is mainly due to the circumstance that the stars in their courses are fighting for him. Good actors and actresses always like to appear in the great Shakespearean roles because these give such scope for their art—and the British stage in recent years has been unusually rich in acting talent. Between the wars there arose a new school of Shakespearean acting, which showed his characters as human beings rather than declaiming puppets, and greatly increased his following. But this was still more increased by the war when, in the absence of new plays, actors and actresses turned to the classics. The Old Vic had been bombed, but an Old Vic company

under Sir Laurence Olivier and Sir Ralph Richardson played Shakespeare at the New Theatre from 1944 to 1950. And when more normal times returned and the Old Vic itself reopened, the stars' interest in Shakespeare did not wane.

This fidelity to Shakespeare survived in spite of pay that is rarely as high as can be earned on the ordinary commercial stage. At the Old Vic the maximum salary is £45 a week (though Edmund Kean used to draw £50 a night for playing in Shakespeare on the same boards); at Stratford it is more, but still nothing like the £150 or so a week that can be earned in the West End. But a Shakespeare season is good for an actor's prestige; and many value the security of the contract, which at the Old Vic is for a minimum of a year and at Stratford for a season. They like, too, to be able to look ahead to what they will be doing in the future; those at the Old Vic can certainly have little complaint on this score, as they plough through the first folio in five years.

The management of the Old Vic has been much criticised by some for its policy of adding a big name or two to the regular company. It is felt (rightly, surely, in *Julius Caesar*) that the addition does not always improve the performance, and also that the Waterloo Road should be a platform for young talent. To this the management's answer is that the platform is supported by the stars. The Old Vic itself has its own regular audience, which pays for perhaps a third of the run, and as far as this audience is concerned, the permanent company has its own stars; a mob of teenagers nightly lie in wait at the stage door for Mr John Neville. But outside London a big name is needed to draw the crowds. The fabulous returns of the second Old Vic company which is now touring Australia, for example, are being earned with the help of Mr Robert Helpmann and Miss Katharine Hepburn. The management has to face the reality that the public now expects to see Shakespeare finely acted and produced, and adorned with its favourite stars.

The lengths to which the public will follow the stars has been strikingly demonstrated this summer. Whether for bad Shakespeare in a good production or good Shakespeare in a bad production, virtually all seats are booked. At Stratford the entrance of Titus "dressed as a cook" with *paté maison* made of his guests' sons does not lessen the hunger to see Sir Laurence Olivier. In London a Jap at the court of King Lear has not impaired the box office appeal of Sir John Gielgud. The public, in the experience of the Old Vic, does not distinguish between good and bad Shakespeare; a play's attraction depends on whether it is familiar or unfamiliar. Thus in the season before last, *Hamlet* was played to 87 per cent of the Old Vic's capacity, compared with only

67 per cent for *King John*. The technique is to sandwich an unfamiliar play between two familiar ones, or as at Stratford to slip it into the repertory late in the eight-month season. *Titus Andronicus* will have only forty performances compared with seventy of a more popular play.

The mounting of a lavish production with so few performances is naturally very expensive, and the Shakespearean theatres' mission of presenting all the plays at some time or other can be performed only by letting some plays carry the financial burden of others. This is now being done with great success. The Stratford Memorial Theatre (though it did not start to make a profit until 1925, nearly fifty years after its foundation) is entirely self-supporting—or rather its only aid from the state is the indirect one of tax exemption. The Regent's Park season was entirely financed by private enterprise, the Arts Council having decided it could no longer gamble on the weather. The Old Vic has had its ups and downs, and after its re-opening in 1950 it had a down. But since, two seasons ago, it stopped popping Pirandellos, and so on, into the programme and stuck to Shakespearean repertory, it has done much better. It is not, however, self-supporting, as it probably could be. The Old Vic Trust (which covers all Old Vic companies, including

the Bristol Old Vic) has received a grant from the Arts Council amounting to about £20,000 a year in each of the last three years.

The reason for this deficit is that the governors seem to consider that it is their duty under their Royal Charter to offer Shakespeare at cut prices. A stall at the Old Vic costs 12s. 6d., whereas at Stratford it costs 14s. 6d.; and the difference between Old Vic prices and commercial West End prices is just about equal to £20,000 a year. The case for this policy would be stronger if the subsidy were confined to the cheaper seats. The occupants of the stalls at the Old Vic are little different from the occupants of any other theatre's stalls in their willingness and ability to pay. The Arts Council is subsidising the well-to-do.

To this it may be objected that no one should assume the continuance of a prosperity which, as far as the Old Vic is concerned, is of recent origin. The partisans of some companies are fond of pointing to the danger that rival productions by inferior companies may kill the taste for Shakespeare; and no one knows whether that taste will survive the personalities that have helped to create it. But this danger can only lie some way in the future, and perhaps it does not even lie in that. The lesson of recent years is that, as far as Shakespeare is concerned, familiarity breeds respect.

Notes of the Week

The President

THE health of any President of the United States is a matter of concern throughout the world. But the shock felt everywhere at the news of Mr Eisenhower's heart attack is a clear measure of the almost unprecedented position that he has made for himself. Wall Street was not the only place where, for a moment, the bottom seemed to be dropping out of affairs. Nor is this simply a matter of affection—though there is plenty of that for such a sunny personality. There is also a new and real respect for Eisenhower the political leader and the statesman. For the first eighteen months of his Presidency, the Republican Administration seemed, to the outside observer, to be not very much better than its opponents had said it would be. But at some time in the summer of last year, Mr Eisenhower seemed to be taking hold, and he is now in unquestioned command of his party and his policy.

It is his ability as a vote-getter, and the effect of his

illness on party chances in next year's election, that is of greatest concern to the domestic politicians (and to Wall Street). These matters are further discussed in "American Survey" on a later page. But to non-Americans the party colour of the Administration makes less difference than the policies that emerge. What they have admired in the President's recent performance is the skill with which he has brought American public opinion round from the hysteria of fifteen months ago to the comparative calm and moderation of today. The succession to the White House, now or next year, of a politician (of either party) who was less able or willing to impose common sense would be a disaster. Nor is it only at home that Mr Eisenhower has won victories for his own version of firmness and moderation. What substance there is in "the spirit of Geneva" lies largely in the impression that he made on the Russian leaders, and if there is any hope of a genuine settlement coming out of the current negotiations, it depends to a considerable extent on his being there to watch over the tender plant.

It is no mere politeness to say that the progress of his recovery will be most anxiously watched all over the world.

Brass Tacks in New York

DIPLOMACY has come down out of the clouds that veiled the "summit," and all who really want to see peace secured should be glad. The cosy fog of doubletalk that disguised the powers' failure to agree on any major issue at Geneva in July was pleasing only to those who enjoy stepping off cliffs (and those who enjoy leading them over the edge). Since the United Nations Assembly opened in New York last week, there has been plenty of plain speaking; not abuse—spokesmen for both Communist and free nations have now discovered that they can speak honestly without being abusive—but not dissembling or evasion either. Any-one who reads what the foreign ministers have said in the past few days can see for himself how remote are the prospects of their reaching quick agreement at Geneva at the end of this month. Yet, paradoxically, this sweeping away of illusions is an essential first step on the road to eventual understanding and a stable peace.

The Assembly itself got off to a businesslike start by brushing off its agenda several all too familiar items—Cyprus, Algeria, the Chinese seat. It is not necessary to go into the rights and wrongs of the cases to realise that a sixty-nation debate at this time could not promote a solution in either Cyprus or North Africa, but could easily make matters worse. This is the tenth UN Assembly, and the fact that so many delegates have now learnt to resist the natural temptation to debate every topic offered them is encouraging. It was interesting to see that even Archbishop Makarios's expedition to Bandoeng had not brought about an "anti-colonial bloc" solidarity on Cyprus; and even more striking was the fact that Mr Chou En-lai's contact at Bandoeng with the leaders of 28 Asian and African states led only three of them to support the unsuccessful Soviet demand for a debate on the Chinese seat. But it would be rash to interpret these early developments as indicating that there will be no loud echoes of Bandoeng, no vigorous marshalling of "anti-colonial" and anti-western forces at this Assembly. On the contrary, if the delegations decide to mark time on other issues while awaiting the coming Big Four meeting, a void will be created in which those echoes will resound.

Litmus Paper for Geneva Spirit

THIRTY days hath November; and although the foreign ministers seem to have agreed over a New York dinner table that their Geneva meeting on October 29 should only last for about three weeks, the two latest restatements of the Soviet position suggest that they could sit the whole month out without much profit. Both Marshal Bulganin's letter and Mr Molotov's speech to the Assembly were reasonable in tone, but both were unyielding in content. The Russian concept of "co-existence" remains as one-sided as it was before the "summit" talks; the free nations are now again told (most politely) that they can have a settlement only on terms which would condemn freedom to slow extinction.

The core of the Marshal's letter is his attempt to push aside the American offer of inspection from the air and exchange of military information without actually rejecting it. In gently chiding the President and asking what his plan "will really do to end the arms race" he is doubly disingenuous; Mr Eisenhower presented it only as a first, confidence-building, move, and Marshal Bulganin declares in his own letter that "the main problem is to look for ways which would enable us to move the disarmament problem away from dead centre." Mr Molotov, more crudely (how hard it is to shake off old ways), misquoted Mr Dulles in an effort to brand him as defeatist on disarmament, although earlier in the debate, Mr Dulles had specified that the air inspection plan should make it easier to move on to comprehensive disarmament. Mr Molotov then once again demanded that all western alliances must be scrapped and all American and British forces withdrawn from Europe and the Middle and Far East, which would then obtain "security" only from "pacts of peace." Porkkala and Port Arthur were cited in support of this thesis, but Mr Molotov made a strange Freudian slip in claiming that there will now be "no Soviet military bases on the territories of other states"; in the same speech he had rebuked those who spoke of "satellites" in Eastern Europe, and what of the Soviet forces in Hungary, Rumania, Poland and East Germany?

Mr Dulles's restrained speech contained one very necessary note of warning: that the United States and its allies could not be expected "always to be ready to enlarge their present commitments to meet Soviet concern about European security." He asked, too, whether the "Geneva spirit" was to prove genuine or spurious, lasting or merely fleeting. Mr Macmillan, when addressing the Council on Foreign Relations on Wednesday, knotted these matters together. The "Geneva spirit" would be proved real, he said, if Russia accepted the plans that the West had devised to insure it against any threat from Germany. A rejection of this offer would force the West to deduce that Eastern Germany was being held down not because of legitimate Russian fears but because the Soviet rulers wished to hold it and even to extend their grip to Western Germany. If this proved so, the free nations would face a long period of negotiation, not unlike the earlier "long haul" of defence; and they must face it with patience and hope, remembering how—in Austria, for instance—the Russians had suddenly changed an attitude in which they seemed permanently frozen. Here is, indeed, the litmus test for the "Geneva spirit."

Who Should Lead the House?

THE Government changes have not yet been announced; and the country may yet have to wait until after the Bournemouth conference before it knows whether Sir Walter Monckton really is going to leave the Ministry of Labour, and whether Mr Crookshank is to move up to the House of Lords. This latter rumour has been accompanied by a report that Sir Anthony Eden may take over the Leadership of the House of Commons himself. Before the war, of course, it was customary for a Prime Minister to assume

this duty; it was one of the few jobs that Mr Baldwin, as he "educated Labour for responsibility," did extremely well. But Sir Anthony should consider carefully whether times and the job have not changed. Although Labour may still need educating, it does not really need educating for responsibility (or, at any rate, Sir Anthony had better not try).

The trouble is not simply that Leadership of the House is an increasingly time-consuming office—although, at a time when the Prime Minister has his hands full as co-ordinator and director of policy, new burdens could cause damage. The main practical, if not constitutional, function of the Leader of the House is to stand in the firing line whenever the Opposition gets restless, and to try to calm it; although Sir Anthony would do this job as well as, or better than, anybody else in ninety nine cases out of a hundred, it would be much more serious if he, instead of Mr Crookshank, were on the hundredth and probably very minor occasion should fall down. Moreover it is an occupational hazard that the man in this office may develop a longing for a quiet life, and this could be a serious hazard for the supreme arbiter of policy: he could so easily persuade himself, for example, that it would be better not to cut rent subsidies yet awhile, if the Opposition had seemed unitedly angry about some quite separate bagatelle when he last announced the week's business of the House. Against all this, there is the respectable constitutional argument that the House, including Conservative backbenchers, may feel justly angry if the Prime Minister appears constantly to be dealing with it through a sort of Parliamentary public relations officer; but it is the duty of a good PRO to act as a two-way link with his chief on minor matters, and on major matters to bring forward the chief himself. When allowance is made for the difficulties of the Churchill era, it may be felt that Mr Crookshank has fulfilled this function, as well as the other and more majestic duties of the Leader of the House, quite reasonably well.

Labour's Lord Woolton?

THE long-awaited report on Labour party organisation, which has been compiled by Mr Harold Wilson with the intermittent aid of three colleagues, was laid before the party's national executive committee on Wednesday. So far it has not been published, and comment on this very important British political document must be confined to information based on leaks.

The most important leak has oozed from the debate about whether Labour should have a Lord Woolton; that is to say whether it should have an active politician with experience of government at the head of its organisation, instead of a paid party servant like Mr Morgan Phillips. Under a Woolton system, Mr Morgan Phillips (or his successor) would be set free to handle the more detailed problems of administration; he would become the equivalent of Sir Stephen Pierssené at the Conservative Central Office. Most students of political organisation, and of some of the personal frictions that have sprung up in the party in recent years, now seem to be convinced that this step would be in Labour's own interests; they hold

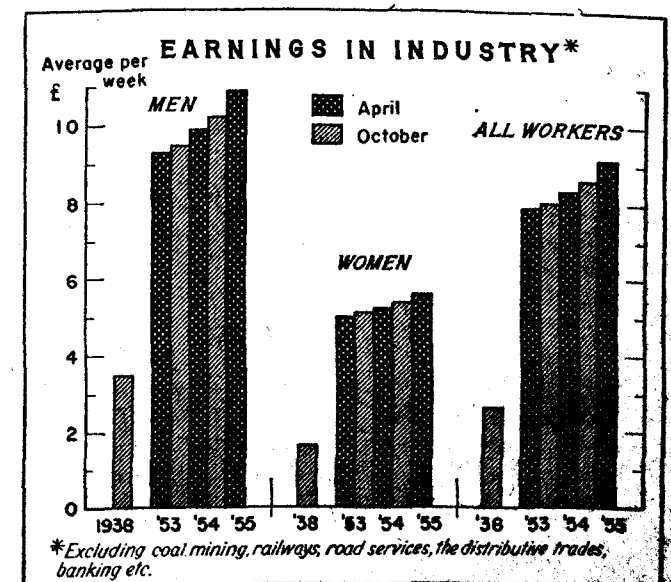
this view whether or not they welcome the fact that Labour's Lord Woolton would almost inevitably be Mr Harold Wilson.

In his report, however, Mr Wilson is believed to have plumped for a compromise. The suggestion is apparently that the new link between the national executive and Transport House should be a small but permanent liaison committee—composed of three or four members of the executive working with officials of the party, and with a member of the executive as chairman. The presumption is that Mr Wilson would be the chairman, and also the biggest noise. On paper, this looks very different from the Woolton system: the Tories concentrate control in the hands of one man and do not scatter it among a group which, in theory at least, might change its composition annually. Mr Wilson presumably knows what he is aiming at, and how large or how small a reform he can get the party to stomach at the present time; but it is not so certain that he may not be overestimating the smoothness with which a structure of this sort could be handled. There has been so much manoeuvring behind the scenes about who should sit on which stools that it will be a pity if the eventual decision is to get a committee to fall between them.

Facing the Future

THE other proposals of the Wilson committee are inevitably largely concerned with the need for more staff and more money. Labour undoubtedly suffered in the election from the fact that it has fewer whole-time agents than the Conservatives, and that their pay (and with it their quality) is generally lower. The demand for more and better agents will undoubtedly be welcomed at Margate; the conference agenda is flush with resolutions about them.

It will be a pity, however, if concentration on this point is allowed to obscure an even more important defect in



the party organisation to which the Wilson committee has drawn attention. This is the need for an overhaul of party education and research. The research work done at Transport House is often surprisingly good, so far as it goes, but Labour has not found the money to recruit a large staff, and it uses the staff that it has more for day-to-day briefing than for long-term planning. The Conservatives have a briefing staff separate from the planners, and the Tory planners are independent of the Central Office.

A rough indication of the difference between the two parties in the size and quality of their "back room" staffs can be given by comparing the number of MPs that the respective back rooms have produced since the end of the war. The Tories have produced seven: Mr Macleod, Mr Hopkinson, Mr Maudling, Mr Enoch Powell, Lord Balniel, Mr Biggs-Davison and Major Sharples. Labour has produced two: Mr Fienburgh, who was secretary of the research department proper, and Mr Healey, who was secretary of the international department. Labour, of course, has always complained that the Tories have money to burn, but it is impossible to believe that the Labour movement could not finance an adequate research department if the case were properly presented to the constituency parties and the trade unions; and it is certain that unless Labour gives itself some such equipment it will be at a permanent disadvantage. The money that Mr Gaitskell is now trying to raise should not be spent on agents alone.

A Soldier for Cyprus

THERE is an obvious logic in the transfer to Cyprus of Field-Marshal Sir John Harding. After the deplorable show of incapacity by the authorities on the island a fortnight ago, when unarmed rioters were able to do what damage they pleased in Nicosia, all remaining doubts about the urgent need for a vigorous and steady hand at the wheel were swept away. There is logic, too, in the decision to appoint a serving soldier as Governor. Not only has Cyprus's civilian police force of 1,600 proved so pitifully unable to take the brunt of terrorism and political violence that the army is already doing the greater part of the job; the Colonial Office announcement last Monday may be taken at its face value when it emphasises that, as an important "base for the discharge of Her Majesty's Government's obligation in the Eastern Mediterranean," Cyprus now requires a military Governor. There has indeed been something of tragic farce in the Government's insistence that Cyprus is a unique strongpoint, from which protection radiates both to neighbouring Nato allies and to the whole Middle East, at a time when flames from the burning British Institute Library in Nicosia were revealing its condition in a very different light.

But logic need not dictate that the appointment of a "strong man" means a petrifying of policy. On the contrary, public security in Cyprus needs to be reinforced as an essential preliminary to new political and diplomatic initiatives. From this point of view it may be questioned whether to hasten a Chief of the Imperial General Staff to Cyprus is not an over-dramatic choice. Comparisons with Malaya and Kenya are automatically being drawn, and these

are hardly likely to improve the atmosphere. It might have been wiser to find a Governor and Commander-in-Chief for the island elsewhere than among the very topmost brass.

Russian Arms for Egypt

WHILE Mr Molotov sprinkles the Geneva spirit in New York, his subordinates are sowing rather different seed in Cairo. They have offered to sell Colonel Nasser arms from Soviet bloc countries on terms which Egypt finds acceptable. Casting to the wind years of Communist denunciation of "merchants of death," they have adopted a technique long employed by western powers in their quest for Middle Eastern allies.

Colonel Nasser describes the deal as ordinary, and quite rightly points out that Egypt is as free to turn where it likes for armaments as it is to choose where it will buy food or industrial equipment. To most Egyptians, the American Under-Secretary of State's hasty journey to Cairo to argue against the policy will simply prove that neutrality is a role worth playing, since it invests the neutral with importance and with infinite opportunities for playing off rival suitors. Egypt's allies, the Saudis, and the wavering Syrians are weighing the advantages of the technique, and have pointed to Iraq as the fool of the Arab family who prematurely took sides.

Armed neutrality, however, has two obvious practical drawbacks. First, it is expensive; the country which pursues it has less to spend on development because, for lack of sure allies, it has to maintain more armaments and larger stores. The Swedes, for instance, spend more on defence than do the Danes, secure in the arms of Nato. Secondly, it raises the dreadful problem of spares. In the event of war, countries do best to sport arms supplied by a state that is likely to be an ally, or else they may find themselves running out of ammunition. Iraq, now formally linked with Turkey, Pakistan and Britain, is not without shots in its locker.

From the western angle, far the most serious angle of Egypt's decision is the upset it causes in the delicate balance on the Palestine frontier. So far, the western powers' supply of arms to Israel and the Arabs has been governed by their declaration of May, 1950, and the clause in it which binds the Middle Eastern states not to use for aggression the weapons they buy from the West; that clause now loses its value, and Anglo-American policy is being reshaped accordingly. The reshaping, however, is somewhat one-sided, for Israel has since 1948 been buying armaments wherever it can get them and from behind, as well as in front of, the Iron Curtain.

Bipartisan Talk in Bonn

THE idea that Dr Adenauer and Herr Ollenhauer might agree on a common foreign policy has been given a new lease of life in Bonn by the unanimous vote in the *Bundestag* in favour of opening diplomatic relations

with the Soviet Union. Herr Ollenhauer was mild in the debate, and did not repeat his earlier jibe that Dr Adenauer's Nato policy had proved "completely bankrupt." The optimists even find it a sign of a new conciliatory spirit that the Social-Democrats want the Federal Republic to leave Nato and Western European Union by agreement with its allies, and not unilaterally. One of the reasons given for this loyalty is that the Russians would otherwise conclude that the Germans were unreliable parties to any agreement.

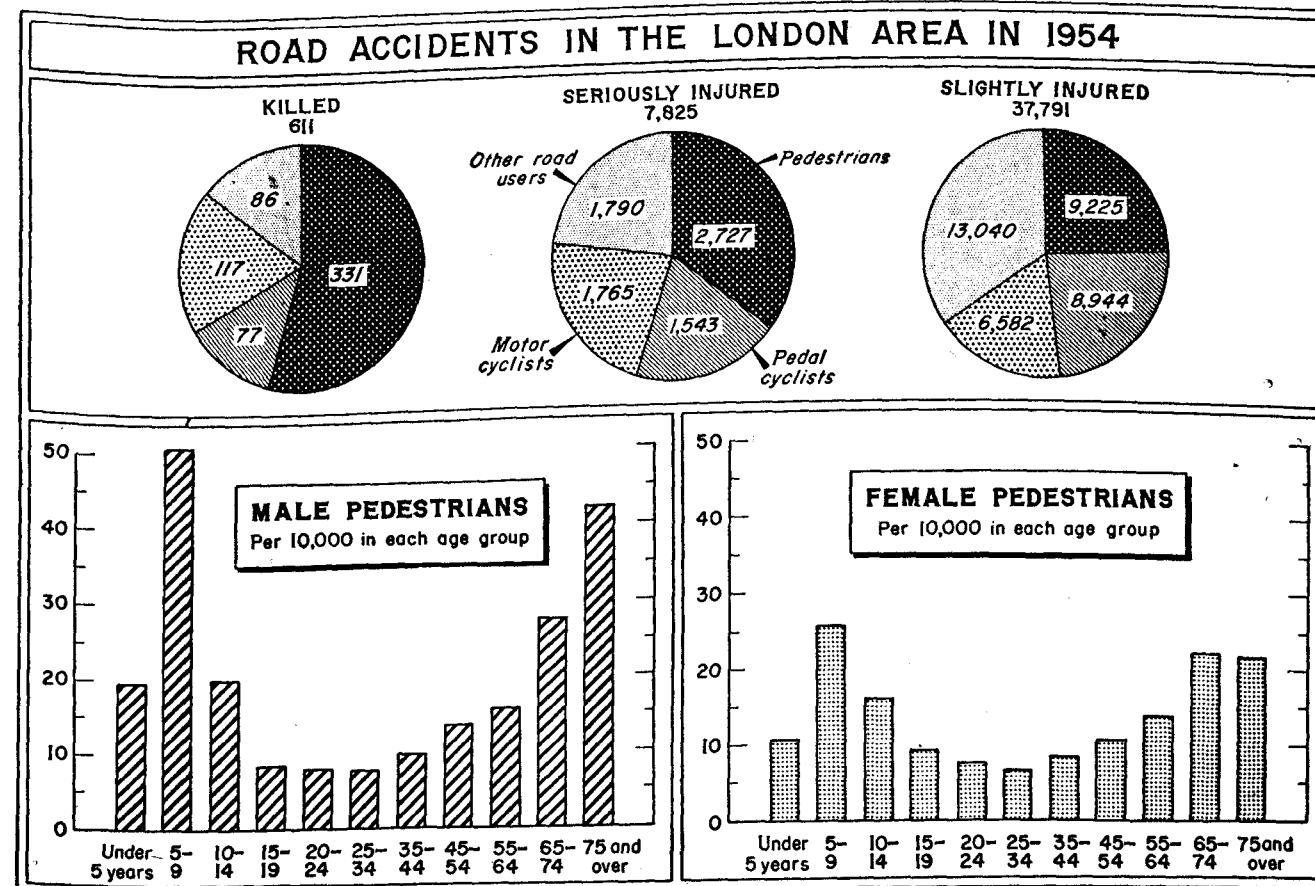
The Free Democratic leaders and press have for a long time past favoured co-operation with the Socialists on foreign policy, much though they dislike their economics. The common ground is Protestantism and the two parties' attitude to Nato. Dr Dehler, the chairman of the Free Democratic Party, has, like Herr Ollenhauer, bluntly declared that the western treaties were a mistake and that Germany must be allowed to leave the alliance for the sake of reunion. What would happen if the allies refused to release Germany is not mentioned. Some Free Democrat leaders are even thinking of bringing the Socialists into a coalition government after Dr Adenauer retires, if not before. Only the Christian-Democrats point out that the *Bundestag's* unanimity hides a fundamental difference on the value or disadvantage of the western alliance. Dr Adenauer still proclaims that it will lead to his goal of European integration and believes that firm friends in the West are vital to reunion in freedom. But Herr Ollenhauer maintains that the Chancellor's "European policy" collapsed when the French rejected the EDC, and is nothing but a barrier to reunion. In the *Bundestag*, he refused to face the fact that Russia's price for giving up the Soviet zone is far higher than West Germany's renunciation of

Nato, and plainly indicated that his party would only consider a "bipartisan" foreign policy if Dr Adenauer was willing to sacrifice the alliance. The Socialists can maintain this stand because they are sure—too sure—that American and British forces will continue to protect Germany as long as necessary.

In view of this yawning difference over the western alliance, it is hard to understand why partnership with the Socialists in Bonn should be regarded in the West as either possible or desirable. Dr Adenauer's firmly pro-western policy would inevitably be watered down and there is no certainty that parliamentary democracy would be strengthened. In Germany, as elsewhere on the continent, coalitions are regarded as good in themselves, whereas the main need is for a responsible, healthy opposition in which the Social Democrats maintain a clear distinction between themselves and the Communists.

Deadpan Paper

THE White Paper on the disappearance of Burgess and Maclean has run into heavy weather from all sections of the press. Some of the popular papers are able to point out that they published some of the details of the affair long before Petrov's revelations forced the Government into making a confession. Even the serious papers want to know why Maclean and Burgess were allowed to escape



Source: A Statistical Analysis of Road Accidents, published by the Commissioner of Police of the Metropolis.

when one plain clothes watcher could have given the alarm; and there is a chorus of complaints that insufficient detail is forthcoming about what they got away with. Certainly, as one Sunday newspaper pointed out, they got away uninterrogated about other Soviet contacts in the service.

Yet, now that the White Paper has been published and official dovescotes have been fluttered, the sensible thing for outsiders to do is to let most of the matter rest. The real complaint against ministers is not that they have been deadpan, as this White Paper is; it is that, in some of their Parliamentary replies, they have been a little worse than disingenuous. On the other question raised by this affair—the efficiency of the security services—the public's verdict must be one of "not proven." The plain fact is that espionage and counter-espionage have to work in secret; and it does not follow even from the Petrov revelations that now is the time for a full "now it can be told" official story. Many interesting Maclean stories have been told—but they are mostly speculation, and it is easy to think of a dozen reasons for the authorities playing the game the way that they have, with Burgess and Maclean ending up in Moscow (where Mr Zorin failed to meet them). The other difficulty is that it would be impossible in any open inquiry to give details about the measures taken to tighten up security. Only the security services themselves know how good or bad they are, and how they compare with those on the other side. It must be presumed that in the four years that have elapsed since Burgess and Maclean took to their heels a searching inquiry into British security services has been made; and until another such case occurs it will be impossible to assert that it has been ineffective. This is an unsatisfactory situation; but more parry and thrust in Parliament about the security aspects of the affair will not make it a better one.

The Embattled Screen

THE early stages of the battle between the BBC and the independent television service have made fascinating viewing. Even before its rival appeared on the screen the BBC had plainly decided to fight for its customers at every audience level. The balance of its programmes was not disturbed; all that happened was that the mildly intellectual programmes became slightly more intellectual, the flashy programmes became flashier, and the sentimental programmes became very much more sentimental. This last tendency reached its apogee two days before the ITA's inauguration when the tear ducts were set in nauseous flood in a very public celebration of Mr Wilfred Pickles's silver wedding. The critics, who were the only people who were watching this programme through duty instead of choice, were appalled; but the millions who were watching because they like this sort of thing—and it is not really a harmful thing to like—undoubtedly enjoyed themselves more than ever. With fiendish cunning the BBC's sound services carried on the good work by killing off Mrs Grace Archer, the most dispensable heroine of their favourite soap opera, in a long death-bed scene ten minutes before the ITA was due to appear on the air. Broadcasting House was flooded by letters from people who said that they felt that they had lost a personal friend, and the jollity

at the ITA's inaugural banquet was undoubtedly made to look rather indecent.

Independent television itself got off to the sort of start that most people had expected. It has been widely criticised for slavishly copying many of its programmes from the BBC. In fact, it has copied them from successes in the great television testing ground of America; but since the BBC adopted the same policy at least three years ago, the difference is difficult to spot. There has been a certain freshness of approach in some of the independent programmes, but this has been obscured as yet by occasional amateurishness in presentation. The new programmes have also made some mistakes, of which the most obvious (in imitation of the film moguls) has been that they have recruited too many big names—and then under-employed them in roles that less experienced (but more carefully rehearsed) artists could have filled just as well and with a smaller sense of let-down. It is also quite obvious that advertisers are being allowed to place their plugs just where they want them. This does not matter so much at the moment, when the companies seem to have as many applications for advertisements in evening viewing hours as they can accommodate; but if the supply of advertisements should become harder to get, it might affect the balance of their programmes.

Newscasters at Grips

THE presentation of the news on independent television deserves a separate comment of its own. When Mr Aidan Crawley announced that his company would report crime and other "idiosyncrasies" on the screen, many people must have felt a slight sense of shudder. Up to now, however, the shudder has been unjust. The general attitude on the lighter items, thrown out of the screen "the accompaniment of a wrinkle from the newscaster's eye, has been; "It is a bit silly for intelligent people like you and me to be interested in the nuptials of a fifteen-year-old foreign princess. But it is rather absurd fun, isn't it?" On the whole this is a healthy approach, although the search for a joke even in major news items might sometimes be pushed too far. That wrinkle, in particular, may one day cause the same trouble that King Magnus's cabinet ministers professed to find in their sovereign's conduct in "The Apple Cart." To read a pompous politician's speech, or the verbatim evidence of an accused bookmaker at the Old Bailey, may seem safe enough; but what if somebody claims one day to have spotted unfairness, or even contempt, in the shadow of a doubting smile?

The BBC's initial response to this competition in news-casting was the opposite of its response to the competition in entertainment. The horn-rimmed spectacles on its announcers seemed to grow bigger, the carefully prepared news scripts were pressed closer to the nose, caution and sobriety became even more obviously the order of the day. Within a few days, however, the corporation had clearly and wisely decided that completeness rather than caution was its best answer, since completeness is a quality that the ITA's rather dilettante bulletins have conspicuously lacked. The result is that the BBC television service's bulletins now approximate to an extended and illustrated version of

master



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SOMETIMES placid, often savage—heat is vital to industry. Equally vital is its control. But Asbestos does more than control: it conserves and exploits. . . . It protects men and their buildings from fire, helps warm their rooms, saves their fuel, insulates their factories, starts and stops their lorries and buses. Asbestos is Master of Heat and Friction. Let us tell you many ways in which Asbestos can be your servant.

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OCTOBER

DON'T LOOK NOW

In October 877, by all accounts, the usual French cry of 'Le Roi Est Mort' was changed to 'Le Roi Chauve Est Mort'. On the 8th day of that month, died a King of France known to history as Charles the Bald. It is interesting to wonder how nicknames for kings developed currency enough to survive. Did the kings know about their nicknames? Did anybody call Ethelred 'Unready' to his face? Julius Caesar's troops used a friendly, if scandalous, two-word description of their favourite commander; and one of those two words meant 'bald'. The Duke of Wellington's troops referred to him as 'Nosey'. Who, if anyone, called King Charles of France 'The Bald' in his hearing? And was it then to laugh at him, or to distinguish him in a gathering of kings all called Charles? Neither theory sounds likely. Another question: how bald did you have to be in 877 in France in order to be given the word in your title? Egg-bald? Or was it enough to have the head gently growing through the hair on top? Poor King Charles. He probably minded being bald, and wished he could look like those storied kings who, unshaven and unshorn, resembled, in P. G. Wodehouse's noble phrase, burst horschair sofas.



The Midland Bank is in no position to comment! But if ever it achieves the affectionate accolade of a nickname, it will certainly not be 'the Unready'. For the Bank is always ready to help in financial matters of every kind.

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the "Today's News" feature on the leader page of *The Times*; while the ITA's bulletins reflect what a fairly young university graduate might find to be intriguing—but not what he finds to be tasteless—in the *Daily Mirror*. This is as good a mixture as any; it is a pity that both evening bulletins come on at the same time. So far, however, the viewer has no reason to be displeased with the benefits of competition, on either screen.

How to Restore Freedom

THE downfall of General Perón is obviously much more than just another Latin American upheaval—and for that reason it is a matter of the broadest international interest. Nowhere else in the world has a dictator controlling a modern totalitarian apparatus been brought down by an internal revolt. In Europe, the Axis régimes were overthrown by invasion from outside, and while in parts of Eastern Europe one form of totalitarian government merely succeeded another, in Italy and Western Germany the rebuilding of free institutions could be carried out slowly under the wing of occupation authorities which were themselves responsible to democratic governments. The victors in Argentina, however, are Argentines, and they thus face a task without precedent. Pledged to restore freedom, they must, if they are to fulfil their pledge, recreate a whole fabric of free society in a country where press and publishing houses, schools and universities, social services and every kind of institution and organisation have been stamped into one servile form.

It is easy to scrape the names of General and Señora Perón off ships and even cities, or to leave an Italian sculptor with three years' output of heroic masonry on his hands; it is much more difficult to purge education, social security and local community life of their Peronista content, and, after a decade of all-pervading indoctrination, to revive non-political youth organisations, independent newspapers, untainted academic staffs, and trade unions that are not mere puppets of the state. Perhaps the most delicate of all such tasks is the fostering of a political opposition which, while sturdily challenging the very government which makes its existence possible, does not lapse into extremism and thus discredit democracy all over again. A good many other countries may some day face similar tasks. The progress, and the difficulties, of the new Argentine government ought therefore to command the attention of the whole free world, not merely of the connoisseurs of Latin American politics.

Ripples from the River Plate

THE more immediate international consequences of the fall of General Perón are extensive enough; they will be felt in places as far apart as Mexico and Moscow. The Argentine drama may directly affect the Brazilian elections on Monday, for Senhor Goulart, the vice-presidential candidate on what is generally regarded as the strongest ticket, has a strongly Peronista reputation. It must already

be causing much searching of hearts in those Latin American republics that had been wooed and, in very varying degrees, won by General Perón as partners in "economic union" and other loose forms of association—Chile, Paraguay, Bolivia, Ecuador and Colombia. Throughout Latin America, the Peronista labour groups, youth groups and other organisations financed and fostered from Buenos Aires during the fallen dictator's long struggle for regional hegemony are now cut off from their source of support and inspiration. Quite a few newspapers are likely to change hands, and trade union leaders allegiance in the months to come. For the Americas as a whole, the question will arise whether the role of principal challenger to the United States will pass to another republic—to Brazil, perhaps, if Monday's ballot boxes yield an answer that makes anti-Yanqui feeling a profitable political note to strike.

But General Perón's "third position" did not merely make Argentina the natural focus for resentment of the United States throughout the hemisphere (until the dictator himself belatedly began to flirt with Wall Street in hopes of salvaging his finances). Equally naturally, it caught Moscow's alert eye; and even before Stalin's death an intriguing association began to develop between the Russians and the regime which they had tried to exclude from the United Nations in 1945 because of General Perón's Axis sympathies. Communists in all countries, while sniping at Madrid, obediently stifled all criticism of the Buenos Aires government. Russian missions were feted in Argentina, and, while Soviet spokesmen dwelt on their fervent wish to help struggling Asians, Russia's first sizeable credit to a non-Communist country was extended not to India, Indonesia or Egypt, but to the fascist regime of General Perón. It is hardly surprising that the Moscow press was tongue-tied when he fell.

Striking for Jobs

THE Daimler company may not feel as tragic as some other motor companies would about the ban on overtime imposed this week by 3,000 employees at its Coventry factory. The ban is in support of 150 vehicle builders and finishers who are on strike, and these in their turn are on strike because the Daimler company has discharged as redundant 250 others. This is the second strike of this kind at the factory within a month. This time redundancy arose, according to a statement by the company's managing director, because bodies for both Daimler and Lanchester cars are in future to be made by an associate firm, Carbodies Ltd., whose plant is being extended for the purpose. As this firm is also in Coventry, it seems likely that there will be jobs on the new plant for at least some of the dismissed men. The Coventry branch of the National Union of Vehicle Builders, however, denies that it has been told anything about this, and it hopes to get its headquarters, as well as that of the Amalgamated Engineering Union, to recognise the strike as official. The NUVB, being left-wing, though no longer strongly Communist-influenced, may be tempted to do so.

The motor industry as a whole is badly placed to risk fracas of this kind, for the union leaders with whom it

deals are having a difficult time. Last weekend the motor factories' Stop Stewards' Liaison Committee, which is regarded by union leaders as a very left-wing instrument indeed, held a conference about automation; it passed a resolution declaring that labour-saving machines should not be allowed to save any labour—a resolution which was well on the Communist party line. The union leaders recognise that this sort of thing is madness, but they are very afraid of redundancy; and dismissals need handling with great care if the average worker is not to be driven into the arms of some of his well-organised comrades. Time is well spent on patient explanation and consultation, and it is not clear whether this took place at Coventry.

France's Wage Front

THE battle of wages has flared up in France after two years of relative truce. The violent outburst in the shipyards of St Nazaire a few weeks ago, which gave the signal, was soon followed by the still unfinished struggle in the Nantes engineering works, and the wave of strikes has since spread to other regions and branches of industry; building, gas, electricity, transport, coal and textiles have been affected. The workers' tactics vary from the quasi-revolutionary violence of St. Nazaire to sporadic stoppages. Nor do the employers present a united front: some have granted substantial wage increases, others are stubbornly counter-attacking through lock-outs, while certain establishments, particularly in the nationalised sector, are trying to check the tide by modest wage offers combined with other benefits. The nationalised Renault works, which have granted a three weeks' holiday and promised to swell the pay-packet in the next two years, are prominent in this "reformist" group.

The impact of the new wage increases on the cost and price structure of French industry is still hard to assess. The Commission of National Accounts has estimated that a rise of seven per cent in the total wage bill this year need not have any dangerous inflationary effects. The employers' chief argument is that for many enterprises the profit margin is so small that the present demands threaten to bring about unemployment or to wreck M. Faure's experiment of "expansion with stable prices." The apparent gains, they argue, will be swallowed up by a new bout of inflation, while in the last two years real wages had risen by about nine per cent.

The argument is somewhat one-sided, and a comparison with the prewar period yields less impressive results; indeed, it enabled the Communists, earlier this year, to launch the slogan of "absolute pauperisation" of workers under capitalism. Their calculations deliberately ignored the important changes in family allowances and other social benefits; yet objective estimates show that a worker with less than two children really earns for the same number of hours less than before the war, despite the substantial rise in production and productivity. Only through longer hours or the employment of more members of the family do the workers derive certain advantages; many are convinced that even this has been achieved exclusively through their struggle against the employers. Wage increases of up to

22 per cent now won in the heat of battle, concessions granted by employers faced with strikes or the threat of strikes, only strengthen this conviction. The Communist CGT has not created this mood, though it will certainly try to feed it and benefit from it. North Africa will not be M. Faure's only major problem when parliament reassembles.

The Dutch Stand by Nato

AT a time when some people are questioning the need to maintain the free nations' military preparedness, the emphasis in Queen Juliana's speech from the throne last week on "the essential function of Nato" should act as a much-needed corrective. The Dutch will, it appears, vigorously oppose at the coming meeting of the Atlantic Council any proposal for a reduction in the strength of Nato's forces.

Yet they are a nation who by inclination and tradition are strongly anti-militaristic. It was only grudgingly that they accepted the need for conscription in peacetime, and the taxpayer in the Netherlands is fully conscious of the cost of maintaining substantial land, air and naval forces at the disposal of Nato. But the Dutch are a hard-headed people who are only too painfully aware of the indefensibility of their eastern frontier—separated by less than 200 miles of flat "tank" country from the Soviet armies in Eastern Germany—without the aid of allies. They are not easily persuaded that the recent conciliatory gestures from Moscow represent a real change of heart and they can see no reason at present to lower Nato's guard. No doubt their Minister of Defence, Mr Staf, was able during his recent visit to reassure himself that Britain holds similar views.

What is striking about the firm words the Dutch have lately been using is that one of the smaller partners in Nato has chosen to give a lead. Critics of the Atlantic alliance who habitually talk as though it was the Americans who always dictated policy to reluctant European partners might do well to think over this clear evidence to the contrary.

Procrustean Education

AT the annual conference of the National Institute of Adult Education several speakers cast doubt on the suitability of university courses, particularly in science and technology, to the needs and capacities of the majority of students taking them. Standards and traditions set by the abilities of the first-rate academic cadres were said to have imposed on others—that is, on the bulk of the expanded university intake—strains that prevented them from "deriving anything like the benefit they should from university life"; and this complaint was echoed by warnings that the technical colleges, in pursuit of prestige and status, were inflicting similar strains by overloading the academic content of their syllabuses.

It is fairly easy to see the logical conclusion of this argu-

ment, and why the conference took it up. If the argument is right, the main aim of policy in "further education" should not be the enlargement or multiplication of universities or university colleges—let alone at the cost of lowered standards—nor their indiscriminate emulation by technical institutes. The aim should be the provision of a whole graded range of training opportunities, full-time and part-time, for that majority of moderately gifted young people for whom a university career is, realistically considered, a delusive mistake, but whose abilities are so urgently needed and so often wasted. In other words, there should be more emphasis on the sorts of further education with which many speakers at the conference are connected. But this argument immediately runs into an apparent contradiction: at the moment there are more opportunities available for many types of evening classes than their potential beneficiaries are willing to take up.

The real problem is one of prestige. The status of a university student, even for members of the "silent, unsociable, Nescafé-drinking race" of hard-pressed technical aspirants, is matter for envy. The technical colleges and institutes have a lesser prestige of their own. But evening, extension and continuation classes have no prestige at all; indeed, the judgment most likely to be passed by his peers on the young worker who takes advantage of them is that he is a poor fish who cannot get a girl to go out with him at night. Were continued education to become the generally Done Thing, the relation between the universities and technical colleges and institutes would fall into perspective, to the advantage not only of vocational training, but of the development of young technicians as human and civilised persons. Educationists should be thinking no less seriously about the problems of projection and propaganda than about those of using limited material and human resources to the best educational advantage. Perhaps a great deal could be done by a wholesale reform, not of courses, but of various institutes' names.

Punter's Paradise

THE football pools remain legal because the Royal Commission on Betting, Lotteries and Gaming concluded that a substantial element of skill was involved in making forecasts in the Six Results or Penny Points and other pools. The commission felt—as the public feels and is encouraged to feel—that "the football follower would have a much greater chance than someone entirely ignorant of the merits of the teams and the players." One distinguished witness before the commission, Mr Hubert Phillips, disagreed. Mr Phillips has now produced new calculations* designed to prove his point; and also to prove, to any punter who cares to have his private daydream punctured, that the mathematical expectation, for example, of winning £75,000 by means of a regular weekly stake of 2s. on the Treble Chance is once in 500,000 years. While in some pools there is a fixed number of possible forecasts (from 729 in the case of the six results to 4,782,969 in the case of the penny points) any competitor can choose any number of them, so that the odds against success are unpredictable—they fluctuate only around a predictable norm.

* Pools and the Punter. By Hubert Phillips. Watts and Co. 8s. 6d.

But this does not help the punter. Nor do the tipsters. Mr Phillips shows very simply that the scores obtainable from following the tipsters are no better than random guessing. He also shows that if the results of two identical pools run by competitive firms are compared, the dividends conform closely with each other—and with the pattern of chance; there is no variation which might suggest that an element of skill is distorting random distribution round the predictable norm.

Whether Mr Phillips's mathematics will interest the punting public as much as the booklets brought out by the pools to guide punters through the intricacies of perms (which Mr Phillips considers increases the chance of a prize exactly as taking two tickets in a sweepstake increases it over taking one ticket) may be doubted. Whether he has demonstrated that the pools are lotteries—and particularly unfair kinds of lottery at that—could only be settled in a court of law with both sides calling mathematicians as witnesses. But for his general conclusion that as the state and the pools organisers do so handsomely out of the sale of these pipe-dreams, they might as well be nationalised, there will be much more sympathy than proposals for nationalisation can now usually claim.

Freedom of Speech

It seems singularly difficult for foreigners—even for those who have resided long among us—to comprehend the degree of freedom and individualism which pervades the speaking and acting of nearly all classes of Englishmen. On the Continent men's thoughts and utterances are so generally under Government inspiration, or fettered by Government control, or checked by the dread of Government interference or retribution, that what is said (or at least what is published) is usually conceived to have more or less of an official character, or at all events not to be wholly devoid of official sanction or connivance. Nor is the inference there a very unjust one; for when authority so perpetually interposes its preventive arm, it may not unfairly be held unanswerable for what it does not prevent. Moreover, this ceaseless sense of supervision and restraint from powers above imparts a character of caution and design to all their political writing of which we in our free land know little; few authors (on public subjects at least) are quite without an *arrière pensée*; they seldom can give way to the *épanchement de cœur* which is as natural to us as the air we breathe. Hence when foreigners read, in any of our more popular or widely circulated English journals, articles at all remarkable for opinion or expression, they are too apt to jump to the conclusion that these articles either indicate the secret designs or tendencies of Ministers, or at all events the deliberate feelings and policy of the nation...—and what is merely the spontaneous sympathy of an individual which he is certain will be shared by thousands, they interpret as encouragement given either by the Government or the nation... We refer to this subject now, in consequence of finding that the remarks which have appeared in the leading journal and in our own columns, holding up the brutalities of the King of Naples to the execration they deserve, have been represented in some quarters and are regarded by some hasty Italians as proofs that a rising and resistance in that oppressed country would be welcomed and applauded, if not positively encouraged or aided, by Great Britain.

The Economist

September 29, 1855

Letters to the Editor

Interim Report

SIR—Your editorial article states that the banks, in operating the credit squeeze, "seem to be relying principally on some weird system of hypothetical fair shares as between their different branch managers."

I agree that such a system would be a weird one, but to the best of my knowledge it exists only in the imagination of the writer. One cannot believe that any of the banks have thought of doing anything so absurd as to seek a uniform reduction in advances branch by branch, not least because supervision of all advances of any size is centralised in local or chief head offices.

So far as the smaller advances are concerned, it may not be humanly possible, with several thousand offices in question, to guarantee absolute uniformity in the treatment of customers throughout the country. Nevertheless, if there are anomalies, as you state to be the case, these arise from difficulties in the practical application of a set of principles which are clear and sensible in themselves, not from any doubt about the criteria to be applied. These are clearly implicit in the Chancellor's statement in Parliament of July 25th, when he said that for the time being our primary aim must be to reduce home demand in order to leave room for the extra exports we need, that all who can must try to spend less in order to save more, and that business firms should endeavour to slow down investment not of the greatest national urgency.—Yours faithfully,

J. HUNSWORTH
Banking Information Service, EC3

Officers and Gentlemen

SIR—It is not only your civil service correspondents who consider that a comparison of service officers with the administrative or any other grade of the civil service is invalid.

The complexity of modern war and the development of multi-national staff planning of the Nato variety has unhappily led to large numbers of officers serving at desks. It would, however, be dangerously misleading to consider this their normal employment, or to regard their skill with paper as more than just one criterion for their professional advancement and monetary reward. The basic difference between the officer and the civil servant is that the latter very rarely assumes final and inescapable responsibility; while the service officer—normally in direct charge of a situation, of men and of material in motion—has necessarily to make a decision and act on it there and then, and on the out-

come his future career and perhaps his and other lives will depend. It seems no more reasonable to class a lieutenant-colonel by his performance at a desk, although he has to sit there at times, than it would be to judge a civil servant by his performance at sea, in the air, or in the jungle. The service officer asks to be judged in his own environment doing the job for which he was selected and trained, and with due regard to the hazards, discomforts and responsibilities of his profession.—Yours faithfully,

SERVICE OFFICER

SIR—The speed with which your civil service correspondents have reacted to your leading article must surely silence unkind critics who claim that no civil servant can be expected to answer a letter in less than four weeks. No doubt gallant officers of Her Majesty's services will now point out in reply that their pay should take into consideration the risks inherent in their profession. We must not forget, in this context, the hazards to be faced by the civil servant. On any working day he may become comatose in committee; he may be poisoned by a rusty nib, choked by a cup of tea, strangled by red tape, trapped in a lift or inadvertently filed away. Imagine, too, Sir, the frustrations and annoyances to which he may be subjected. He may not be asked to the garden party; he may not get his share of the departmental allocation of gongs; he may even (though this is admittedly rare) be questioned by the Security Service. No wonder that it is difficult, at present rates of pay, to find suitable recruits for the administrative grade.—Yours faithfully,

CHAIRBORNE

SIR—My colleagues, Messrs Green and Woolf, have ably pointed out how inappropriate it is to compare officers of the armed forces and the administrative class of the civil service. The table of analogues set out in Mr Green's letter has been sanctified over many years by its inclusion in the King's Regulations (order of precedence), this point being clearly established before the Tomlin Commission of 1929-31. To Mr Green's statement that executive officers are paid less than the service officers who are equalled with them one could add some examples. A colonel's pay is £1,900, whereas a chief executive officer gets only £1,595; a lieutenant-colonel gets £1,700, a senior executive officer only £1,325. You say "since 1946 officers' pay has risen by about 35 per cent." Some comparable executive grades have received as little as 38 per cent more in pay since before the war.

Your statement that "the home civil service still gets all the recruits it needs" is inaccurate as regards all classes of the civil service. Mr Woolf has already pointed out that the Civil Service Commission has been unable to fill the vacancies in the administrative class. A similar situation is now developing in the executive class. After the October, 1954, open competition, the Civil Service Commission submitted a document to the Royal Commission which showed, not only the steadily declining margin of "surplus acceptable candidates," but an actual deficit of successful candidates. The Commission concluded that "the attractions, including the financial attractions, set out by the executive class were . . . at least adequate five years ago, but have since grown weaker to a point which must cause anxiety for the future."—Yours faithfully,

E. C. REDHEAD

The Society of Civil Servants
Westminster, S.W.1

SIR—I have noted with admiration the promptness with which office-holders of the Civil Service Clerical Association and of the Association of First Division Civil Servants have unsparingly defended their pens in the interests of their members. One must now await the remarks of the Field Officers' Guild and the Amalgamated Squadron Leaders' Society. Or do such pressure groups not exist? And if they do not, could this possibly be a contributory cause of the present inadequacy of officers' pay?—Yours faithfully,

QUARTERDECK

Black Market in Cars

SIR—Mr Seager complains that in the early summer (the peak buying season) he found waiting lists for "a new car of popular make," but was offered immediate delivery of secondhand models at above the list price. The problem here is one of shortage and not, as Mr Seager believes, of deliberate inflation by manufacturers.

The primary national need is to export, not to satisfy the home market. Production for the first seven months of the year was 515,000 cars. This is a rise, in which the industry can take pride, of no less than 16 per cent over the same period of 1954. The percentage of exports for the first four months, until the dock strike, was practically the same as last year.

All will agree, however, with Mr Seager in condemning the overcharging which any product is liable to, when there are pockets of scarcity, unless the public has the strength of will to resist. In the immediate postwar years this association effectively controlled the sales of new cars through its Covenant and Declaration schemes, as part of its unvarying policy to restrain both overcharging and undercharging. Those schemes were relinquished as supplies improved. The policy remains unaltered, and any breach of trading agreements will always be investigated. The regrettable defects discovered by

Mr Seager in his new car seem all to be covered by the manufacturer's guarantee.—Yours faithfully,

W. L. RICKETTS

The British Motor Trade Association,
W.1.

Goa Blunders

SIR—In *The Economist* of September 17th a letter from a Mr Ferreira, of Mozambique (Portuguese East Africa), stated, among other rather inconsistent things, that there is no freedom in Portugal. It seems to me that the very fact that Mr Ferreira was able to write, sign and send such a letter proves just the opposite. It at least proves that in Portugal anyone is free to write silly letters. No one could fail to reach a different conclusion if they were patient enough to read the letter to the end.

However, one point does emerge quite clearly from Mr Ferreira's letter. He states that the whole of Portugal is united in supporting the Portuguese Government's position on Goa. In this I entirely agree with him.—Yours faithfully,

MARIA DA SILVA

London W.1.

SIR—Your article of August 20th is incisive, but major elements have been omitted. Goa is a chapter in the history of European imperialism in Asia, it is also a part of a clash between white and black which extends to Kenya, Morocco and South Africa. Any account of the Goan problem which does not mention these elements seriously distorts an understanding of Indian motives. The presence of these factors in the Goanese situation, and their absence in Patna and Bombay, is of crucial importance.—Yours faithfully,

G. ISAAC

Calcutta

[It is also surely relevant that racial discrimination is markedly absent in Goa.—EDITOR.]

Two Internationals

SIR—In *The Economist* of September 10th you mentioned the inter-parliamentary potentialities of the Liberal International Conference at Lucerne and the Inter-Parliamentary Union Congress at Helsinki, but you neglected to mention another recent conference which came closer to the sort of inter-parliamentary co-operation you have in mind. In July of this year there was a meeting of members of Parliament from all the Nato countries. Earlier this year Mr James Griffiths spoke of the value of a Commonwealth Parliamentary Association. In January, Mr Menzies of Australia, addressing a meeting of pressmen in the United States, said he would welcome the inclusion of American representatives in the annual Commonwealth Ministers' Conferences. These separate proposals might, if drawn together, well develop into a parliamentary assembly of free peoples such as you favoured in your report.—Yours faithfully,

RALPH E. LOMBARDI

London, W.4.

Books & Publications

The Romans' Road

MANPOWER SHORTAGE AND THE FALL OF THE ROMAN EMPIRE IN THE WEST.

By Arthur E. R. Boak.

Michigan University Press (London: Geoffrey Cumberlege). 169 pages. \$4.50. 36s.

THIS little book contains the lectures delivered at the American Academy in Rome by the professor of ancient history at the University of Michigan. It is a model of what such lectures should be: clear, packed with information, well-knit to a theme, abundantly documented, authoritative, critical, and original. It is so sane a study of a most complex and ever-baffling problem that it is a pity its sterling price, for so small a book, makes it prohibitively costly. Professor Boak is of the realistic school begun by Hume ("The Populosity of Ancient Nations") and carried into our own times by Bury, Jones and many another. He seeks numerical grist for his mill far and wide. No cross-check is ignored. Nearly a fifth of the book contains his notes and sources for the text, and they are a joy to read, for the author's own studies of the Roman world have clearly been exhaustive. The result is a really exciting "dig" among mounds of evidence, much of it conflicting: an historical "whodunit" with a discomfitingly contemporary relevance.

Mr Boak concludes, with others, that there was no one cause of the decline and fall of the western Roman empire; that many interacting causes aggravated each other, and in sum worked a catastrophe; that a cumulative and accelerating decline in population, beginning as early as in the first half of the second century, was as aggravating a factor as inflation; and that the process of decline was never really reversed, or changed in its remorseless challenge to the emperors, in the three hundred years that finished with the fall. Rightly, the author pays Diocletian the tribute due to that remarkable, farsighted, ruthless Illyrian for his logical but fruitless, vast but inoperable, administrative reorganisation between 284 and 304 AD. It is one of the ironies of history that the last persecutor of Christians should have bequeathed to the Christian Empire, which yet endured in the west a further uneasy century, every one of its fiscal, legal, military and administrative instruments.

But the rot which not even Diocletian could stop had set in nearly two centuries before. The Empire at its best, under Hadrian, had no machines, little urban industry, and little popular commerce; it was, for all its extent, still

basically agrarian; and productive manpower was mainly that of slaves. From about 125 AD onwards, the population began to decline—owing, in the first place, to plague (which even in the Middle Ages, Mr Boak says, had power to diminish populations for centuries). The decline was aggravated by imperial demands for the forces and, later, for the swelling bureaucracy necessitated by economic authoritarianism, by inflation (which reduced both savings and family size, both urban and rural productivity), by the progressive falling-off in the supply of slaves (as the emperors invited barbarian settlers to till strategic lands, now vacated), and by the economic despair to which all classes (save only the tiny top layer of rich owners of widening *latifundia*) were progressively reduced as the bureaucratic absolutism fixed almost everybody's status.

Again, rightly, Mr Boak names Diocletian as the formaliser and beginner of the feudal era. Workers in town and plantations, civil servants, tenants, even the soldiery and their progeny became of fixed status. "Flight" from such status (for which a special word existed) became widespread. The municipal councillors, one decurion and now curiales, fled their crushing duties, and men rejected from the forces were conscribed into assuming them. The trade unions (*collegiae*) were fixed, too, and on them and their members were clamped duties and taxes just as onerous. Personal rights disappeared as the state laid down more and more numerous and impossible personal duties. Arts, crafts, quality, efficiency, economy, all wasted away. The author sagely reminds us that even the "great age" of church-building after Constantine was a shoddy affair compared with the edifices of the heathen empire.

And so the empire in the west wound to its ruin: its armies now more barbarian than Roman; the stature of its recruits for police or the forces progressively reduced (an ominous parallel); vast tracts on its frontiers already settled by the close kin of the later-irrupting barbarian tribes; commerce and communications in decay, its cities now walled but one-third of their former acreage; virtually everybody a Roman citizen (shade of a mighty name) but crushed with duties; and the outward formalities of spectacles (in the arena), free bread and meat, subsidised housing and other amenities, and superabundant titles merely masking the collapse into the local Christian serfdom of the Dark Ages. As Mr Boak says, no enterprise, no initiative, no originality, not even

a revolution could come of such desperate fixity. None did, for a thousand years thereafter. The leaders of Western Europe and of Russia today really ought to study this disturbing document.

American Cobden

HENRY GEORGE.
By Charles Albro Barker.
Oxford University Press. 71s. 6d.
57s. 6d.

THE ECONOMIST is credited by Mr Barker with having published "one of the very few important 1880 reviews" of "Progress and Poverty." It is pleasant to be able to return the compliment. Mr Barker has written what is probably the most important and is certainly the most scholarly book on Henry George. It is only a few years since Anna George de Mille's life of her father appeared, supplementing at several, mostly feminine and familial, points the old "official" "Life of Henry George" by his son.

In a sense Mr Barker's book supplants neither of these, since they are source books in their own right. But in fact he has gathered up into his compendious (but never padded) pages most of what is of value in these earlier accounts. He has supplemented their story by research among the Henry George manuscripts and newspapers and—what is even more valuable and constitutes the book's supreme merit—he has for the first time given a historian's eye view of Henry George; he has drawn the man in the perspective of his time. This makes Mr Barker's book more than a biography; it is an important contribution to American history—and indeed to British history of the eighties and nineties, for Henry George's impingement upon Anglo-Irish relations and the rising Labour movement were as important as his radical activities in *post-bellum* California and almost certainly more important than his contest for the New York mayoralty and his association with the abortive United Labour Party.

Henry George is indeed a genuinely "Atlantic" figure, one of the members of that community of nineteenth century radicals who felt equally at home on either side of the ocean, who sympathised and agitated, with equal absence of self-consciousness, national or personal, all the way from San Francisco to Dover—and indeed beyond. Primarily, as we can now see—and as Mr Barker brings out very clearly—George was not an economist, still less a one-idea single-taxer. He was a radical reformer, an American Cobden, with something of Cobden's gifts for expressing economic thought in politically comprehensible language, all of Cobden's moral and humanitarian fervour, but unfortunately very little of Cobden's organising genius.

Mr Barker makes no inflated claims for his subject. He admires him, loves him, and at the same time evaluates him justly. His book is written this side of idolatry. It pays its subject a rarer tribute—that of careful, ripe, scholarly understanding.

Introducing Economics

ECONOMICS: AN INTRODUCTORY ANALYSIS. Third Edition.
By Paul A. Samuelson.
McGraw-Hill. 763 pages. 30s. \$5.75.

ECONOMIC ANALYSIS. Third Edition.
By Kenneth Boulding.
Hamish Hamilton. 925 pages. 35s.

INTRODUCTION TO ECONOMICS.
By Walter Birmingham.
Penguin Books. 124 pages. 2s.

HANDBOOK FOR ECONOMIC STUDENTS.
By Leo T. Little.
Jordan and Sons. 193 pages. 7s. 6d.

LIKE a modern army, economics today requires more tail than teeth—defining as "teeth" activities directed to the actual advancement of knowledge and as "tail" the transmission of that knowledge to a general public and to a body of aspirants to future academic status, which are both growing in numbers. Two important revisions and two short new introductory books illustrate, in differing ways, this tendency. Twenty years ago both Professor Samuelson and Professor Boulding would no doubt have been content to let their respective second editions stand for the time being; and neither Mr Little nor Mr Richardson would have found, or been commissioned by, a publisher for their decidedly specialised works. The need for revision is succinctly stated in Professor Samuelson's preface: "My first edition stressed depression. The second stressed inflation. Here... I have been able at every point to change the stress to *efficient growth and security*." Here, indeed, are the respective assumed norms—in America—of the forties, the early fifties, and the mid-decade. There is some good new stuff on underdeveloped countries and on international co-operation the price-analysis section is more shapely than it used to be; and monetary policy is treated at greater length. This admirable book—roomy, lively, realistic, constructed with extraordinary skill in exposition—prompts only one complaint; it is paradoxically too good, too self-sufficient, too perfectly adapted to the needs of "one-semester and two-semester beginning courses, and readers who may never go on to do any further formal work in economics."

Professor Boulding's considerably more austere "Economic Analysis" shows a significantly parallel development. There is a pulling into shape of particular analysis, an expansion of the macro-economic section—macro-economics, in Professor Boulding's view, has now settled down—an increased emphasis on dynamic growth with its associated fluctuations. Less concerned with current events, and giving less weight to description, than Professor Samuelson's book, "Economic Analysis" has a less stop-press appearance. But it has taken the same step forward to the mid-1950s.

From these refitted leviathans to that

cockleshell newcomer the Penguin "Introduction to Economics" is a far cry, not only in matters of bulk, comprehensiveness and price. Mr. Birmingham's little book is "the first introduction to economic theory written especially for West African readers"; it forms part of a projected Penguin series presenting "traditional subjects in the light of the African background." (The full excellence of this idea will only be apparent to those who have seen what even highly intelligent West Africans sometimes make of the standard English texts.) "Introduction to Economics" is necessarily slight, sometimes rather naïve, and a little uncertain about the degree of sophistication to be expected of its audience. But it is sensibly arranged and well written; it puts first things first; it leads up well to more advanced reading; and it stands an incomparably better chance than any existing textbook of convincing the West African student that economics is something more than an examination subject.

For Mr Little's "Handbook" one cannot predict any such happy rôle. An ingenious, if slightly old-fashioned, tabular summary of elementary theory, institutions, and current politico-economic controversy, it could, if consulted with self-restraint by students who had already read intelligently, thought hard, and done their best to marshal their ideas for themselves, provide a most valuable pre-examination check-up; indicating weak spots, highlighting relationships, serving as a visual aid in last-minute revision. It could similarly be a godsend to those luckless teachers who, innocent of economic training, find themselves called on to instil the elements into a C-stream group who have picked Economics, O Level, as a soft option. A very moderately cynical view of human nature suggests that it will, instead, be used as pure parrot-fodder. School and professional libraries should buy it—and keep it locked up until a week before the relevant examination dates.

A Liberal's Progress

THE WHISPERING GALLERY.
By John Lehmann.
Longmans. 351 pages. 21s.

MR LEHMANN has followed the example of many of his friends and contemporaries, and has started on his autobiography in mid-life. This book is announced as a first volume, and carries him to the outbreak of the war, in his thirty-third year. It covers his early years as the youngest child of a brilliant and happy family, and his boyhood at Eton; after Cambridge, a time in London, when he was assistant to Leonard and Virginia Woolf at the Hogarth Press, and took a part, both as poet and as publisher, in the coming together of the brilliant group of young writers which marked the thirties; then six years in Vienna and a growing mistrust of capitalism and fear of impending war; the foundation of *New Writing*; and, after the *Anschluss*, the collapse of



Ferguson's new Hire-Purchase Accounting Department is working smoothly, using one Sensimatic. Here is Mr. R. R. Paterson, the Burroughs man who helped Ferguson to put their new system into operation. (Right) Part of Ferguson's Enfield factory.

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The linked story of writing and politics is familiar, but Mr Lehmann treats it individually. His is a specialised autobiography, confined to his public emotions; there is nothing in it of his private loves and hates, and only so much of his doings as illustrates his chosen subjects: his development as a poet and editor, and what he describes as "the search for meaning," which in practice means the evolution of his political thought.

The book starts slowly. It is a calm and pleasant story till he grows up, but not strikingly original. Thereafter the interest grows rapidly, and the reader gains by Mr Lehmann's concentration on his main subjects. He is modestly reticent about his own poetry; this theme serves mainly to offset his rival passion for publishing and editing. His account of the contributions and contributors to *New Writing*, from the editor's chair, is very good reading.

Mr Lehmann apologises for the familiarity of the story of his political development, but he need not do so. He was born a liberal, and a liberal he remains. At one time, like most of his friends, he played with Communism, and got so near it that he writes now, with hindsight, under the stress of a very strong revulsion. The story is one of emotion recollected in respectability; but it has not made him tranquil.

Mr Lehmann's generation of writers, at their zenith in the thirties, was a fine one, and he contributed much to them; his record is worth reading.

Against the Trend

SOCIALISM AND THE INDIVIDUAL.
By William Angus Sinclair.
Robert Hale. 168 pages. 10s. 6d.

THIS interesting book has as its subtitle "Notes on Joining the Labour Party." What distinguishes it from most other polemical treatises with a similar theme is its author's background. Colonel Sinclair, well known for his wartime broadcasts on "The Voice of the Nazi," stood as a Conservative candidate in the election of 1945. It was not until 1951 that he joined the Labour party. Unfortunately he lost his life last December in a sudden and violent blizzard while visiting a detachment of the Edinburgh University Training Corps. These posthumous reflections are a memorable testimony to a man who clearly thought long and deeply about the problem of his times. They are none the less memorable for reflecting a private quest that placed the author in a position where he was contending sharply against the political trend after 1945.

Colonel Sinclair joined the Labour party because he preferred its views of human nature and of social organisation to those of the Conservatives. He was not preoccupied with the facts of the economic situation or puzzled about inflation and financial crisis. Indeed he felt very strongly that "economics is

not an account of principles; it is an account of men." His sentiments were praiseworthy, but in his chapters on "Nationalisation and Planning" and "On our being Hard Up," he showed a blindness to many of the relevant issues. It was his particular stand on postwar economic questions that accounted more than anything else for his apparently unorthodox political evolution.

His distrust of economics sprang from deep philosophical convictions, which seem to have derived in part from a study of the anti-*laissez faire* writers (some of them Tories) of the nineteenth century. He has much of value to say about equality, the British class structure and the welfare state, and he always expresses his point of view in a lucid and non-emotive way—very unsuited, as he says, for a political platform. But eventually he has to make a leap, and to accept more dramatic decisions than his arguments seem to imply. "We shall not create a new way of life," he remarks, "or even blunder into it, by following a policy of watered-down socialism. Nobody could have invented constitutional monarchy by persuading Cromwell to be only mildly despotic and the people to be only half-heartedly rebellious." This is a full-blooded doctrine for a generation of political lukewarmness and compromise. It shows that Colonel Sinclair had something of that irrepressible zest which occasionally lifts British people from the habitual grooves of customary politics. In an age when the statistics of the pollsters pass for political analysis, there is still a place for the expression of opinions such as these.

Throgmorton Street

THE ART OF INVESTMENT.
By A. G. Ellinger.
Bowes and Bowes. 170 pages. 15s.

IN England the independent investment adviser selling his service for a fee and nothing else—neither seeking to obtain the client's order as a broker nor to sell the wares of any financial house—is a rarity. Good investment advice (as well as the other kind) is available; it comes from stockbrokers and bankers who will be paid by way of commission on the resulting transactions. Mr Ellinger saw that gap and proceeded to fill it, withdrawing from the market (and from stockbroking) in order to see the market more clearly. This book shows what he now observes as he inspects Throgmorton Street from Cambridge. It is clearly aimed for the personal investor—not for the big fund that can afford its own investment manager.

The book is good and, of course, transparently honest; but it is not perfect, for the author tries to do two things that do not both conveniently come between the same two covers. The first half is descriptive—how the market works and how ordinary share prices are formed by the interplay of three forces—the price of money, the level of dividends and confidence. The second half sets out principles for forming an investment

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policy (or an isolated decision) and is therefore more personal to the author. Mr Ellinger is a modified and most reasonable chartist. Any true disciple of investment charts would almost certainly disown him. He even admits that an investor "should take account of certain matters for which he can refer to a chart and of certain others for which he cannot." And he countenances the purchase or sale of a stock before it has broken through its trend lines, which to a true chartist must seem worse than shooting a fox or tickling a trout.

Even so the chart approach can sometimes obscure the obvious. For example, when he discusses choosing a share for recovery at the bottom of a slump the author mentions these desiderata: high ratio of earnings to dividend, high ratio of earnings to price and high ratio of assets per share to price. Capital gearing is not mentioned. Yet surely the share that is going to show the biggest rise from the bottom of a slump is not the equity of the strongest company, but the share (drawn from a recovering industry naturally) with the highest capital gearing: the marginal company with a big preference and debenture capital and a small ordinary capital on which it earns nothing at the moment, but where a small change in prosperity would mean big earnings per share, is what is wanted. And the place to look for it is among the balance sheets or the Moody or Exchange Telegraph cards, rather than among the charts.

The personal investor, particularly the investor for capital appreciation, will gain much from this book, and the mere fact that the author's advice does by now on occasion move the market will force him to read it. He will find plenty of good sense in it—not least the injunction to sell everything when convinced that the market trend has turned downwards. The investor is inevitably either something of a chartist or a follower of tips on his way to Carey Street. If the author can turn more of them into dissident and liberal minded chartists, he will have done good.

West Africa

AN INTRODUCTION TO THE HISTORY OF WEST AFRICA.
By J. D. Fage.
Cambridge University Press. 210 pages. 12s. 6d.

DR FAGE will never be the Namier of West Africa; his is not the type of mind that throws off ideas as a tinder box throws off sparks. Nor is he the type of historian who spends years in close relationship with the original sources of history, and then produces a work of historical scholarship which is an extension of the boundaries of knowledge. His book is exactly what it sets out to be: an introduction to the history of West Africa—an up-to-date statement of existing knowledge, written primarily for the general reader and junior students. Competent as it is, its chief difference from older surveys of the same kind is the fact that it is in print.

It leaves one a trifle disappointed that the first sizeable work by a historian to emerge from the new university colleges of West Africa should be of this kind.

Nevertheless, Dr Fage has performed his task admirably. Beginning with a brief account of the geography and peoples of West Africa, he takes the story through the great empires of the Western Sudan (with heavy reliance on that remarkable book "Caravans of the Old Sahara," by Mr Bovill), the slave trade and its abolition, the European scramble for West Africa, and finally the political and economic development of the British and French territories. Yet Dr Fage has not written "the history of the West Africans as a people," as his publishers claim; and his excuse for not doing so is quoted in words so obvious that they could well have been omitted. "I am strongly of the opinion," Dr Fage writes, "that it is impossible to relate the history of West Africa, and useless to comment upon it, unless account is taken of the influences which have reached the country from North Africa, from Western Europe, and from the Americas." Granted; but we still need to know more about the Africans.

The Bemused Geographer

THE WAY TO ILALA.
By Frank Debenham.
Longmans. 336 pages. 25s.

PROFESSOR FRANK DEBENHAM'S very readable book is a footnote to the literature of David Livingstone. Agreeably written, well produced, and beautifully illustrated, it is not another biography, nor a new assessment of Livingstone's achievements, though it contains easy recapitulation of materials relevant to either. It is a work of piety, a memorial from one geographer to another. It is an attempt, not wholly unsuccessful, to prove that Livingstone was the most remarkable geographer of his time. In preparing it Professor Debenham has had access to collections in the Rhodes-Livingstone Museum in Northern Rhodesia, including rough notes put together by Livingstone and used by him when writing his own books. Many of the maps and sketches are reproduced from Livingstone's originals.

Professor Debenham's case is well made until the last painful years; it rests on Livingstone's scrupulous care in collecting laborious detail and his flair for drawing conclusions from it, often correct. But for the last years it is only possible for him to defend Livingstone as a geographer at the cost of implying without admitting that his judgment was warped by obsession. "A strange hallucination has taken hold of a mind, to which there was none to minister or raze out the written troubles of the brain," he writes, describing Livingstone as "this strange lonely man," obsessed and bemused. He craves pity for foibles and frailties of a mind still noble, but "befogged by vain dreams and fevered fantasies," and suggests that Livingstone

was so completely obsessed with his desire to rehabilitate himself by discovering the sources of the Nile that, geographer or no geographer, he refused to accept geographical fact. Incidentally what with geographical detail and pleasant literary analogies from Bunyan, Milton and Shakespeare, Professor Debenham does not quite convey a true sense of the agonising, unnecessary, and inevitable tragedy of Livingstone's end (so well brought out by Sir Reginald Coupland in "Livingstone's Last Journey") and it is odd that in a book designed to set up Livingstone as a geographer the cause of the tragedy should be largely ascribed to an error in longitude.

Indeed the book as a whole is pervaded by an uneasy sense of shifting vision, an unconscious optical sleight of hand, on the part of its author. It is called "Journey to Ilala" because Livingstone died at Ilala; but nowhere in the text of the book is Ilala mentioned at all. Similarly the portrait Professor Debenham would evidently like to draw of Livingstone is not the one that really appears in the book. The raw materials he has himself assembled do not add up to the total he produces. What emerges, wrongly and unintentionally, from this involuntary debunker is a Livingstone incapable of serving, unfit to command, a philanthropist who opened up the heart of Africa to the intruding slave trader, a geographer who proved the best ways of how not to get to the right places, and one who died partly because of a faulty sextant. And yet Professor Debenham would wholeheartedly agree that whatever his faults, however many his mistakes, Livingstone was made of the very stuff of greatness.

Shorter Notice

THE SLIDE RULE.
By Burns Snodgrass.
The English Universities Press. 207 pages. 6s.

The author sets out to explode two myths: that the slide rule is a difficult instrument to employ proficiently and that its use entails a substantial inaccuracy—fallacies propounded principally by journalists and broadcasters. He guides the newcomer deftly through the fundamentals and through the complications which are of a complexity commensurate with the variety of scales found on either face of the instrument. The solution of the commoner problems that can conveniently be dealt with by the slide rule are illustrated by the theoretical employment of the appropriate type of instrument. The novice will manage to achieve a useful competence in the instrument without undue mental exertion.

The case for the instrument's accuracy is less convincing; a favourable comparison is made with the micrometer, which as a measuring instrument is of another genre, when many closer comparisons might be made nearer home. The argument that quantities of goods delivered do not always coincide with the quantity purchased, and that a similar error in calculating the cost should therefore be permissible, will receive sympathetic but inarticulate support.

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.

Heart Attack

NOW that the President is, it is hoped, out of immediate danger, his heart attack is giving more pain to the politicians and the speculators than it is to Mr Eisenhower himself. How much permanent damage has been done to the boom on the stock market cannot yet be judged, but the President's illness has upset the confident certainty about the future—and particularly about the outcome of next year's election—on which that boom was based.

If Mr Eisenhower gets through the next week or two satisfactorily, the immediate effects of his illness on either the prosperity or the government of the United States should not be great. No one expects him to be able to take an active part before the end of the year, but Congress that is not due to meet before then and it is in Congress that his leadership is quite essential. It should be possible to consult him very soon on important questions, particularly on foreign policy where the absence of his decisive influence would be most felt. But the autumn is the season when Cabinet Ministers and government departments jockey for next year's positions in the Budget and in the congressional calendar. Plans will have to be made for the 1956 session of Congress and, even more important, funds will have to be allocated for the coming fiscal year without the President's arbitration, which has been badly needed in the past, particularly when it came to arguments over defence. His illness is likely to strengthen the budget-balancing hand of Mr Humphrey, the Secretary of the Treasury and the acknowledged strong man of Washington.

But even more the President's illness is likely to strengthen the hand of Mr Nixon, the Vice President, who will preside over Cabinet and other important meetings, and will be given many opportunities of proving that he is a statesman. He long ago proved himself a politician, although not always a tactful one. The stake for which Mr Nixon will be playing is the Republican nomination for the presidential election in November, 1956. The doctors may say that it is possible for Mr Eisenhower to serve for a second four-year term, but his family, his own inclinations and, indeed, the practical realities of the situation say differently. However certain his re-election, it is almost unthinkable that a man who has had a serious heart attack should be asked to become the oldest President the United States has ever had; Mr Eisenhower will be 70 in 1960. It would be a sentence of death which could hardly be imposed even by a desperate Republican party, or accepted even by a man who rated his duty to his party far higher than does Mr Eisenhower.

The Republicans are now forced, rather late in the day, to take seriously the President's earlier warning that he

was not indispensable and that they should look for men to take his place. He is not himself sufficiently interested in party politics to insist on choosing his own successor; if he did the man would probably be Mr Nixon, but the Vice President is today only one among many candidates for what, at the moment, most people think will be slaughter. For it was not the Republican party which was expected to win the 1956 presidential election, but Mr Eisenhower. The Democrats on their side were until last week looking for a candidate who would make a suitable sacrifice; today their nomination is suddenly worth having and the first guess is that Mr Stevenson will have it.

But it is far too soon to guess about anything. All that is certain is that everything to do with politics in America is now uncertain. The President's illness has struck not only at his heart, but at the heart of what was until then a unusually stable political situation, and both parties have been knocked off their balance. Their struggles to find new centres of gravity will make the session of Congress which begins in January as fascinating as the manoeuvres for presidential nominations which have begun already.

Tariff Bargains

Washington, D.C.

LAST week was published a long list of articles on which the United States is preparing to offer concessions when the General Agreement on Tariffs and Trade opens its bargain counter in January. The publication of this list may help to improve the present unhappy appearance of the Administration's foreign economic policy in the eyes of the world. For the list is a reminder that, for all the talk about bicycles and generators, the main news about foreign trade this year has been the extension, without crippling amendments, of the President's power to lower tariffs by negotiating trade agreements.

Mr Butler's sharp reference in Istanbul to the recent American backsliding came as no surprise. An exceptionally large number of newspapers all over the country had already attacked both the decision to raise the duties on imported bicycles, for the sake of domestic producers, and to accept the bid of an American manufacturer, rather than a lower bid from a British firm, for heavy electrical equipment for the Chief Joseph dam, in order to make work in the Pitts-

burgh area, where there was substantial unemployment. Both seemed rather pointless departures from the freer trade road; in practice the increases in the tariffs on bicycles are unlikely to affect anyone much except the consumer, and in Pittsburgh the level of unemployment was falling. It might have fallen below the 6 per cent of the labour force which is the statutory definition of "substantial" if the Secretary of Defence, with whom the decision rested, could have been induced to postpone it longer, as the State Department begged him to do. This decision was at least debated at length, but it is surprising to learn that the question of the tariffs on bicycles was not brought before the Council of Foreign Economic Policy, headed by Mr Joseph Dodge, which was set up precisely in order that the cumulative effect on America's face abroad of isolated administrative decisions at home should be realised in good time.

★

The two decisions, however, had the same purpose; they were both intended as gestures of obedience to congressional intent, as reflections of the "escape clause" provisions in tariff legislation, designed to save domestic producers from serious injury by increased imports. Tariffs are, by the Constitution, Congress's affair. The Tariff Commission, which recommends increases in duties, such as that on the bicycles, was originally meant to be an expert adviser of Congress and an instrument of its intent. Under the successive trade agreements Acts limited powers were delegated to the President for limited periods. The nagging suspicion of Congress is that Presidents of both parties have used this conditional authority to make the Tariff Commission their plaything and to bind the United States permanently to their liberal trade policies, through its membership of Gatt. An occasional bicycle decision, according to the President's excusers, not only shows that he is keeping faith with Congress but demonstrates that Gatt does not make it utterly impossible for a tariff to be revised upwards.

In a sense the publicity given to the bicycle and the dam cases, in both American and foreign papers, is welcomed as proof of the Administration's willingness to risk criticism in order to safeguard Congress's ultimate supremacy over trade regulation. Moreover there is a shrewd suspicion that the prominence given abroad to American backslidings is itself a little disingenuous, since European countries, including Britain, have their own good reasons for slowing down moves towards currency convertibility and other relaxations of trade barriers. The effect on the Administration's day-to-day decisions of the withdrawal of the prospect of convertibility into a more distant future is largely subconscious. American officials are aware of the strength of European misgivings and understand the dangers of leaping prematurely better than they did two years ago. But while, in the atmosphere of a "dash for freedom," all compromise with political pressure could have been resisted, on the ground that a single retrograde act would put the great prize in jeopardy, the same inflexible front cannot be maintained during a long period of co-existence with the evils of quotas and currency restriction.

Even if an entirely cynical view is taken, the Administration cannot afford to ignore the susceptibilities of Congress just because the President's powers to negotiate tariff reductions have been extended for another three years. There are still three important pieces of trade legislation that need to be fought through Congress

next year: the special tax incentives to encourage private investment overseas, customs simplification and American membership of the Organisation for Trade Co-operation.

This last measure is in serious trouble. Many people, indeed, are heartily sorry that it was decided to renegotiate Gatt, which Congress had never formally approved, so that its organisation could be put to a legislative test. The intention was to remove Congress's suspicions and by doing so to reassure the world about the stability of America's commitment to a liberal trade policy. But the attempt to rush the OTC through Congress in the last session, as part of the "package" that included the reciprocal trade legislation, was hastily abandoned. The mixing of the two issues, so far from ensuring the success of both, threatened to defeat them both, by lining up all the constitutional conservatives with all the protectionists. The postponement of action on OTC saved reciprocal trade but gave more time for arguments to be built up against OTC and Gatt.

It is extremely unfortunate that OTC will be placed before Congress next January at just the time when the Gatt negotiations will be going on in Geneva and at the end of an intensive period of hearings before the Tariff Commission, during which American producers of articles in the new list will have been developing their case against concessions that might affect their welfare. Two arguments will be heard: that Gatt's escape clauses are not broad enough to preserve the full legislative rights of Congress, and that they are too broad to prevent other countries discriminating against American exports by quotas and currency restriction. Moreover, the refusal of Britain and thirteen other countries to give the full advantages of membership to Japan will embarrass the Administration. Gatt, it will be said, is a club in which the United States is expected to shoulder most of the dues and expose itself to most of the fines.

Although American exporters grumble individually about the restrictions that affect them personally, as a class they have learnt to take the long view. They accept the fact that, despite the vocabulary of reciprocity used to describe the negotiation of trade agreements, American tariff concessions are largely payments on account, in the hope of strengthening the rest of the world so that quantitative restrictions may later be abandoned. However, this does not convince a dubious Congress that American membership of Gatt will make American constituents more prosperous here and now.

Decision Needed

THE constitutional lawyers are probably a little regretful that the President is making such good progress that there now seems no need for any formal arrangement for dealing with his essential business during his illness. For public attention has been drawn to a problem which has been worrying them for years: the lack of any clear definition in the Constitution of the point at which a President becomes unable to discharge the powers and duties of his office to such a degree that the Vice President must act in his stead "until the disability is removed." If the President dies, the Vice President succeeds automatically, but

only two Presidents, Garfield and Woodrow Wilson, have ever been incapacitated for long enough to hamper the transaction of public affairs seriously. In neither case was the Vice President asked to take over; indeed, Wilson resented it severely when his Secretary of State called Cabinet meetings without him.

Today Mr Eisenhower's military habits of delegating authority, streamlining chains of command, and organising his staff as a team, mean that it has become customary for the Vice President to preside over Cabinet meetings in Mr Eisenhower's absence and to share his responsibilities in other ways. They mean, too, that the President's aides understand his wishes, are allowed to take decisions on his behalf and can continue to do so. On the other hand, the burden of the Presidency is now far heavier than it was thirty-six years ago, when Mr Wilson had his stroke; for example, there is an average of sixty documents a day to sign. It appears that little of this burden can legally be shifted from the President's shoulders unless it is decided that he is constitutionally disabled. The unsettled problem, which brought the Attorney General flying back from Spain last week, is—who should decide?

The President himself presumably could but he might be unable or, as Wilson showed, unwilling to do so. It is too important a decision to be left to his family or his doctors, too political a decision to be left to Congress. It has been suggested that the Cabinet might be the most suitable body. The reassuring reports on Mr Eisenhower's health make it unlikely that Congress will be called into immediate session, as was being discussed last week, in order to answer the question of who should make the decision if it affects him personally. But next-year Congress may, and obviously should, be asked to answer the question as it affects Presidents in general.

Expansion for Civilians

THE first two decisions on the suspended tax amortisation programme have been announced and the hopes of both the steel and the aluminium industries have been dashed. This is the scheme under which the government encouraged industrial expansion to meet the needs of the armament programme by allowing firms to write off, for tax purposes, at faster rates than usual, the cost of new facilities needed for defence purposes. But in August the scheme, except where it concerned obviously military items, was held up for reconsideration after the Secretary of the Treasury had claimed that it was losing tax revenues for the government unnecessarily, that it was unfair to companies which were not eligible for its benefits, and that many of the applications were for expansions which were needed not as an emergency reserve but so that growing civilian requirements could be met in full even if war should come.

This last is the reason given for refusing to reopen the amortisation programme for the steel industry, which has had no fast write-offs since the end of 1953, and for denying any further benefits to the aluminium industry. The Office of Defence Mobilisation pointed out that steel ingot capacity, at nearly 126 million net tons a year, already exceeded the size required to meet defence and essential civilian

needs in wartime. Similarly, when current expansion of aluminium facilities is completed, the capacity of that industry will be 1,778,000 tons a year, more than is considered essential. The present shortages in both metals are explained by the growing demand which comes with prosperity. In the case of aluminium this demand has been accentuated by its increased use as a substitute for copper, often scarce because of strikes, and becoming steadily more expensive.

Both industries have in effect admitted the justice of the government's case by going ahead with plans for expansion without the help of tax benefits. The Republic Steel Corporation has announced that it will undertake a record increase, of 1,600,000 tons, about 16 per cent, in its capacity. Other steel companies are expected to follow suit; it is estimated that 150 million tons a year of steel will be needed by 1960. All but one of the four aluminium producers who had applied for fast tax write-offs have said that their projects will go on in spite of the denial of their applications. This suggests that the end of the amortisation programme will do little to choke off capital spending, although a month or two ago businessmen were arguing that the boom might be strangled altogether by the denial of the tax aid which has encouraged so much of the present expansion.

Mississippi Justice

AT first sight the acquittal of two white men on the charge of having murdered a Negro boy, Emmett Till, in Mississippi looks like a revival of those miscarriages of justice which used to be expected in the South when a white man was accused of a crime against a Negro. But a second look shows that within the courtroom the law was scrupulously observed, and that the jury was justified in its verdict of "not guilty," for no clear identification of the boy's body was offered. The blame for that lay not with the judicial authorities but with the law enforcement officers, who had neither the means nor the will to provide the evidence which would have been routine elsewhere in the country. Mississippi's lack of funds is the official excuse for this negligence, but the sheriff might have acted more energetically if he, like many others in the state, had not been angered by the outcry raised over the case in the North, by the public display of the corpse in Chicago, and by the suggestion that Mississippi was unfit to manage its own affairs.

But, as the prompt indictment of the two men for the murder showed, there were many in the state who felt that here was an opportunity to show that, although Mississippi still clung to racial segregation, the law there could be as fair to the Negro as to the white man. To this group belonged both the very fine judge and the able prosecutor assigned to the case, and to some extent they achieved their purpose; in particular, they succeeded in bringing Negroes into court to bear witness against the accused. The two white men are now to be tried for kidnapping the boy, a charge on which the evidence is much clearer. But evidence counts for little in this poverty-stricken community, where people have nothing to occupy their energies or to turn their minds away from prejudice and fear. Luckily in this respect Mississippi is no longer typical even of the Deep South.

Misleading Averages

New York

THE American Stock Exchange (until 1953 the New York Curb Exchange) made a sane choice when it decided recently to carry Standard and Poor's hourly index of stock prices on its ticker-tape. All such indicators contain traps for the statistically unwary, but the hidden pitfalls in those computed by Dow Jones and Company and by other experts are surprisingly deep. The investors and market technicians who, before this week's collapse, were trying to compare current prices with the highest point reached in the 1929 boom found that, according to Standard and Poor's index, the prices of industrial shares were 88 per cent higher than they were in 1929; according to the Dow Jones average, they were only 27 per cent higher and others put the increase at even less. These statistical discrepancies are explained by the differences in concept and coverage, in the methods of weighting employed, and in the various adjustments made for share splits, mergers and stock dividends. Because of the need for swift calculation, no daily or hourly index yet includes more than a small sample of the issues traded on the New York Stock Exchange. Such samples are biased in favour of the more important "blue chip" securities.

The official Securities and Exchange Commission and Standard and Poor take into their calculations the relative importance of the companies included. They are weighted by the number of their shares, and these indexes can, therefore, be described, accurately, as a "measure of the paper fortunes of all the investors holding stocks in the average." But the Dow Jones and the other averages start from a different basic premise. The *New York Times* index, avoiding "dangerous weightings," measures the change in the value of a hypothetical portfolio consisting of one share of each of the stocks listed in the index. This is a significant concept, but an unweighted arithmetical average, if interpreted as a measure of market movements, carries with it an unintentional but highly erratic form of weighting. A company with 100,000 shares, each priced at \$150, will have three times the weight in the index of a company with 3 million shares, each priced at \$50, although the second company has ten times the capital of the first.

Two indexes—the Dow Jones and the *New York Herald Tribune*—suffer from an additional defect: their statistical adjustments for stock splits are of such a character as to make both virtually useless for purposes of long-term comparison. If a stock standing at \$150 is split into three shares of \$50 each, the Dow Jones statisticians keep only one \$50 share in the index, but apportion the remaining \$100 equally among the entire 30 stocks in the average, thus arriving at the same market average as on the day before the stock was split. Although no deliberate weighting is intended, this means that the split stock loses nearly two-thirds of its weight in the index, while all the others show a fortuitous gain in weight. The patent absurdity of this adjustment should be apparent from the fact that the stocks most frequently split are often those of the most powerful and progressive companies.

The excuse given for the continued publication of these statistical anomalies is that they cannot be changed without

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destroying the continuity of the averages and the value of stockholders' records, because of the prohibitive cost of revising back data. Dow Jones has pointed out that its averages are not designed for long-term comparisons, but they are so used in practice. The management of the New York Stock Exchange, however, has indirectly underlined the deceptiveness of all these statistics by refusing to give its official sanction to any index prepared by a private organisation.

Trouble in Casinoland?

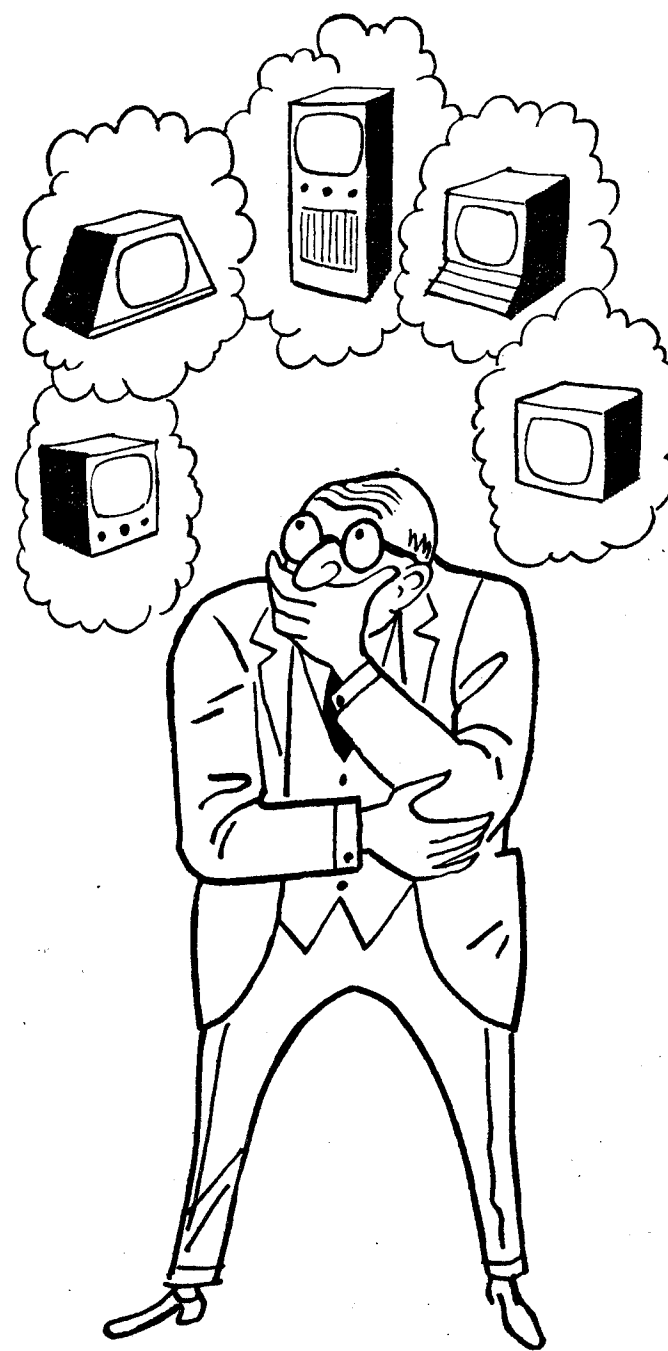
Las Vegas

IN the last few weeks three of the five new hotels opened this year in Las Vegas, America's Babylon of the desert, have been taken over by their established rivals after suffering heavy losses. There were various reasons for these setbacks but they may well be the first handwriting on the wall of the ten-year boom which is one of the great triumphs of the public relations artists. The economic mechanism behind this boom has been a simple one: those who came to Las Vegas to gamble subsidised those who came to enjoy its other lavish amenities—including the same easy divorce facilities as are available in Reno. Today more people are coming than ever before, but they have read the riddle of the Nevada sands and no longer flock to the roulette wheel. Instead, tourists driving through on one of America's great east-west highways, stop off along "The Strip," the hotel-lined golden mile outside the town boundaries, and enjoy a few days of the kind of "high life" they usually see only in films.

First class hotel rooms, with the use of a swimming pool, cost only \$8 (just under £3) a night. Every hotel has two nightly floor shows, the best in the country, the first for the fairly high price of a meal and the second for the very reasonable price of a drink. Stars of the entertainment world think nothing today of asking \$30,000 to \$50,000 for a week in Las Vegas although, for some mysterious reason, the desert air does not always suit them. Mr Noel Coward after a triumphant début, belied his own musical assertion that mad dogs and Englishmen need not fear the midday sun; Mr Mario Lanza, the Hollywood Caruso, fell silent and kept to his rooms; a television star called "Mr Peepers" proved to be so morose that his place had to be taken by a local comedian who has since been elected to the Nevada legislature.

But although the visitor cannot help seeing the large gambling hall that opens off his hotel foyer, no pressure is put on him to try his luck. Some people continue to play for high stakes, shifting stacks of silver dollars—a coin hardly used otherwise—but more and more merely make it a point of honour to lose a small amount in a brief flutter of legalised sin. The latter provided Nevada with almost all its revenue until this year, when the state swallowed its pride and imposed a sales tax. Despite all this, however, the accent is still on expansion and foundations have been laid for three new hotels. But those who are immune from the gambling instinct would be well advised to cash in on their virtue before charges go up in Las Vegas.

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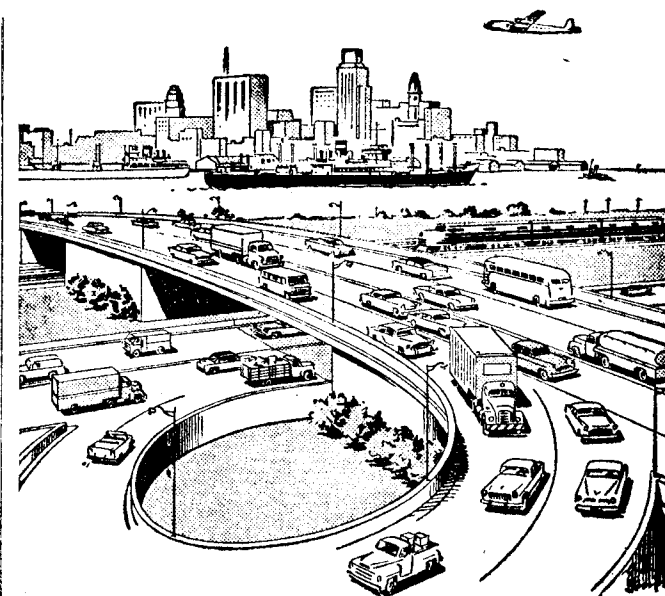
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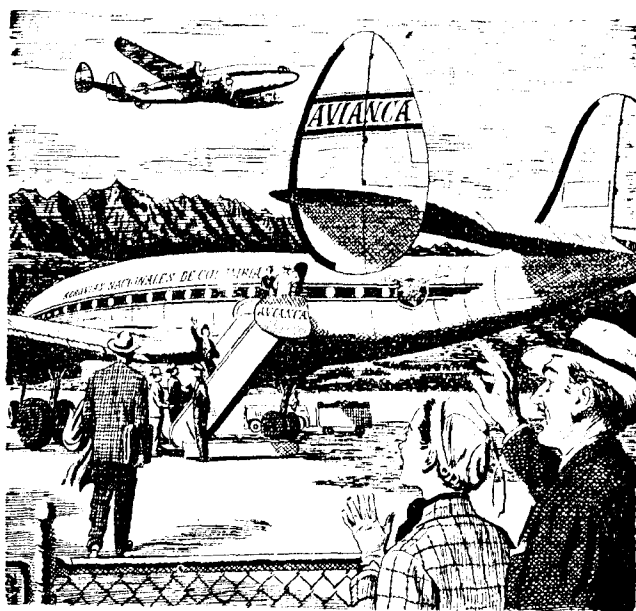
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End of the Timber Trail

FROM A CORRESPONDENT IN OREGON

IN the far northwestern corner of the United States where the country's last big stands of virgin timber grow, and where lumbering has been the leading industry for more than half a century, the forest fire season just drawing to a close has been one of the most disastrous in the past ten years. The flames struck most severely—sweeping over more than 100,000 acres in September—in the counties on the Oregon-California border where vast forests of pine, fir and redwood represent for the American logger the end of a trail which began in New England three hundred years ago. The fires have only accentuated the fears of communities whose future livelihood depends on a continued supply of saw timber. The fact—the frightening fact to many families—is that the logging camps and the lumber mills have moved steadily south through the states of Washington and Oregon during the past few decades. In their wake remain ghost towns.

Employment in timber and lumber operations rose 140 per cent in Oregon from 1925 to 1953; in the same period it was dropping nearly 20 per cent in Washington. It was to Washington that the lumber men came first when they moved their donkey engines westward from the stripped white pine forests around the Great Lakes at the turn of the century. Now, with the first-growth forests coming to an end, the industry and the communities of which it is the life-blood are faced with a struggle for survival. Even in southern Oregon and northern California—the last of the rich stands—the end of the old-style, free-and-easy timber cutting is in sight.

Typical of the latter condition is Douglas County, the heart of the greatest lumbering activity in Oregon at present. A five-year inventory of forest lands has just revealed that there remains a maximum of 15,000 million board feet, of saleable perhaps as little as 11,000 million board feet, of saleable timber in private hands. This is being cut at a rate of nearly 1,000 million board feet a year, and the amount added annually by growth is only a fraction of that figure. Outside the private forests the only available timber in the county is that owned by the federal government in the Umpqua National Forest and other federally administered tracts. But cutting on these public lands is limited to less than 400 million board feet annually, not even half the current rate of cutting on private lands. The prospect is that, at present rates, there is at the most two decades of life left for Douglas County's flourishing lumber industry.

The situation is so serious in all three Pacific Coast states



that a special subcommittee of the United States Congress will conduct a series of hearings in November. Their purpose, according to Senator Richard Neuberger of Oregon, will be to insure that government-owned timber is distributed equitably, by bid, to small as well as to large operators. The committee will also try to discover some means of renewing the supply of timber for mills in communities where the ready supply of logs is nearly exhausted.

There is, however, a brighter side to be found in "The Forest Products of Oregon," a long-awaited study just published by the Business Executives' Research Committee, sponsored by Lewis and Clark College and Reed College, both of Portland. This committee concludes that Oregon's lumber industry is, indeed, cutting its way right out of business; but that, if it improves its forestry methods and makes better use of wood products, it can assure itself of a perpetual life at an even higher level of production. The committee found that the net growth of timber in the state is approximately 3,000 million board feet a year and that the annual net cut is nearly three times that total, more than 8,000 million board feet. Even so, the existing stands of timber on both private and government land in Oregon are sufficient to last more than fifty years, even if there were no net growth whatsoever.

The state of Oregon as a whole, therefore, has a comfortable cushion despite distress in some areas. But if this were all the committee had discovered, it would merely have provided a palliative, not a cure, for the ailment of the northwestern lumber industry. But the committee also found that the principal reason why the harvest of trees exceeds the growth is that so much of Oregon's land is still covered by the original timber, the prize that attracts the loggers and explains their migration. Trees that were standing when the first settlers arrived do not grow as fast as the younger ones. The report says:

When the old-growth timber is harvested and the timberland restocked with second growth, total annual growth will reach 9,450 million board feet, assuming that present forest management practices continue. . . . Under "ideal" conditions of intensive forest management, annual growth would be 15,750 million board feet.

In short, the report promises that Oregon's lumber industry can grow to twice its present size and stabilise its activity at that level indefinitely. But this depends on attaining the highest standards of reforestation, forest conservation and lumber utilisation. Moves in that direction include the widespread use of bark and scrap timber in pulp, hardboard and plywood production, and the cultivation of tree farms. But these are but the first faltering steps, taken mainly by the biggest producers with tremendous resources. The small and medium-sized lumber operators cannot yet afford the research and long-term investment which is required. But necessity is a convincing argument, and it is safe to predict that those companies and communities whose permanent livelihood depends on the forests of the Pacific Coast mountain ranges will strive to achieve the ideal conditions contemplated by the committee.

The lesson is clear. The lumber industry cannot hope to survive by the precepts that carried it from one rich virgin stand to the next across the breadth of the continent and from the Canadian border southward. It must become a cultivator and harvester of trees just as the farmer is a cultivator and harvester of grain. And it must call on all the ingenuity of science to make the most efficient possible use of the tree crops as they are harvested.

The World Overseas

The Peasant Asks Peking Why

THE full extent of the rural unrest that has affected China since the Peking government introduced centralised state marketing of grain in November, 1953, has only lately become clear—from the mouths of Communist ministers themselves. And their utterances reveal also the reason why they have felt obliged to set out these facts and figures. People have been asking questions; ordinary peasants, ordinary fathers with families to feed, and even loyal members of the Party itself, have been muttering together and, in moments of courage, bearding their masters. Why, they have asked, has food been so scarce in recent months? Is the government sending too much to Russia? Did the floods cause more havoc than we were allowed to know at the time? Does the government need to make such large compulsory purchases of food from us farmers? Has its food policy gone badly wrong?

Copious answers to these questions have now been given to them, and, in giving the answers, their rulers have blown the gaff. While Peking's talented propagandists have been flooding the free world, from Lucknow to London, with glowing accounts of progress and plenty, in Peking itself Mr Chen Yun, the deputy Prime Minister, has been speaking as a man speaks when his back is pressed against a wall, admitting that in some areas compulsory state buying of food had been "excessive," that in others the authorities had failed to supply grain promptly to "calamity-stricken" peasants, while in others again there had been a "break-down in supply" during the switch over to state marketing. "The fall in numbers of pigs and other livestock has been due to lack of grain after state buying," added Mr Chen. "Some counter-revolutionaries" had tried to take advantage of the resultant clamour, while "others, including Communist party members, joined in the clamour, hoping that the government would improve matters." These latter claimants were hastily excused. "They confused right and wrong, and accepted correction after they had been told," said the deputy Premier. Their "incorrect" actions, however, were not without effect: "Some of the errors (in state purchasing) are being corrected," Mr Chen went on, adding, almost plaintively, that "many members of the National People's Congress have made on-the-spot inspections, and can see that rural conditions are not as bad as is hinted by some people."

"Some people" have evidently been dropping pretty heavy hints. The Foreign Trade Minister, Mr Yeh Chichuang, protests that "some people ask if China is export-

ing too much and thus creating difficulties on the home market." Mr Chen says that "some people have asked if the tense situation as regards demand for grain in many places was due to the 1954 floods or to exporting too much." The Food Minister, Mr Chang Nai-chi, declares that "it is still impossible to satisfy the demands of the people for variety in food. . . . The government appeals to people to 'eat what you have.' This is a correct policy."

The scale of the discontent should not be exaggerated. Mr Chen may be right when he seeks to play it down with the words: "The peasants' enthusiasm in production is high . . . there has only been dissatisfaction at certain moments and with certain things." But even he is forced to concede that the discontent has been more than a mere counter-revolutionary intrigue: "Some of those who cried out about shortage of grain were really in need." And the Peking ministers have taken considerable pains to answer the angry talk that reached their ears from the hungry villages. This year's "tense situation" was not, they insist, the result of last year's floods; total grain output in 1954 was higher than in 1953. Nor, they say, was the shortage due to excessive food exports to Russia and Eastern Europe, although Mr Chen admits that in 1954 grain exports rose to 1.75 million tons, compared with a 1950-53 average of 1.55 and a 1927-30 average of 1.15 million tons.

Russian "Aid" Bought with Food

However, while China may not be eating much less because of its growing exports to the Soviet bloc, it is evidently eating less well. The Food Minister's remarks about the impossibility of providing enough variety in food have been clarified by the Foreign Trade Minister's revelation that in 1954 ten per cent of all eggs produced in China were exported, 27 per cent of all tea and six per cent of pork. "If we all eat less meat, eggs and fruit," added Mr Yeh wheedlingly, "quantities of these will become available for export." According to Mr Yeh, no increase in food exports is expected during the current five year plan; but a few weeks before he made this speech, Peking had officially announced that 1955 food exports would be ten per cent above the 1954 level, and that exports of tinned food are now 21 times as great as in 1951.

China evidently has to tighten its belt in this way in order to buy Soviet "aid." By Mr Yeh's own account, imports and exports were roughly in balance in 1953 and 1954, and

the first place on the import side of the accounts was occupied by equipment and materials for building "the 156 projects which Russia had helped China to design." The idea that these projects represent a large amount of genuine Soviet "aid" thus falls to the ground. Peking spokesmen now talk only of Soviet "technical aid," and make it plain that this refers merely to the services of designers and experts. Mr Yeh added that China's trade with the Soviet bloc increased fivefold between 1950 and 1954. Earlier, western estimates, based on Peking's meagre statistics, had pointed to a fivefold increase in this trade between 1950 and 1952. If the trade has stagnated during the past two years, it may well be because, despite China's urgent need for Soviet equipment, it cannot step up its food exports and thereby buy more from Russia.

"Just Wanting to Stock Up"

The ministers' main concern, however, has been to justify state marketing, in which the peasants have seen the most obvious cause of food shortages. The Food Minister, in a recent speech, sought to show that the government had levied or compulsorily bought only 18 per cent of last year's grain output. But the figures quoted by him and his colleagues show that in reality the government took at least 44.65 million out of a total of 146 million tons (husked), that is, over 30 per cent. Mr Chen has been frank about it: "Why did we start centralised marketing? Because the state could not get all the grain it wanted by buying on the market as before. . . . The peasants' consumption has risen, and they are not anxious to sell their surplus grain." The peasants' wary attitude to the state's monopoly was the main cause of this year's grain shortage, in the deputy premier's view. "For the past thousand years, the peasants had been used to having a free hand in disposing of their surplus grain." Now, after being forced to sell it to the state, some of them wanted to buy back more than they had sold. The majority, more-over, queued up to buy food from state stores in order "to pretend that they were short, out of fear that the government would buy more from them. . . . They just wanted to stock up a little more for a reserve."

The Peking government, however, has made clear its intention of cornering the reserves itself. "Reducing grain consumption is very important," in Mr Chen's words, "China must be prepared for any possible domestic or international incident. That is to say, we must have food reserves to meet a possible aggressive war or a serious famine. . . . Over a long period, we must practice food economy on a nation-wide basis." The authorities have lately announced that they will buy (compulsorily) 80-90 per cent of all surplus grain this autumn; that food rationing, already strict in many areas, is being extended (it comes into full force in Chungking today); that grain sales in cities are being sharply cut—by 11 per cent in Canton in August. The *People's Daily* explains all this as not only necessary because China cannot increase output "to catch up with increasing grain needs in various fields," but also as a vital step "to create a beautiful and ample life." But the political advantage that a totalitarian regime enjoys in holding large food reserves, and its individual citizens are not, are also obvious to Peking's students of "advanced Soviet experience."

Test for Norwegian Labour

FROM A CORRESPONDENT

THE municipal elections in Norway next Monday are of much more than local importance. National party leaders have immersed themselves deeply in the campaign, and the outcome will be generally interpreted as a popular verdict for or against the Labour party, which has held power nationally since 1945. The five opposition parties naturally hope for local gains out of which to make political capital on the national plane. Norway's next parliamentary elections are not due for two years, but the opposition will be grateful for any crumbs of hope and encouragement that the present local elections can give.

The key constituency is Oslo, where the Conservatives together with the Liberals and Christian Democrats are in a majority. No more here than in parliament can they work in harness, however, and Labour, the biggest single party, thus has effective control. Both Labour and the Conservatives are out for an absolute majority, and no one cares to forecast the result. The fervently partisan press has helped to raise the temperature in Oslo to a degree unusual in Norwegian election campaigning. Housing and communications are the two outstanding local issues; but the back of the housing problem has been broken, and while the Conservatives are making as much as they can of the housing shortage, Labour may be shrewder in emphasising communications, the improvement of which becomes increasingly pressing as more and more people move out to new housing estates far from their places of employment.

The government has taken a number of measures this year designed to restrict credit, reduce investments, and improve the balance of foreign trade and payments. These measures have not produced any serious internal repercussions—the level of economic activity and employment remains very high—and it is unlikely that they have caused the Labour party any embarrassment in the local election campaign. Moreover, the external trade and payments position has notably improved since the measures were introduced. Although the improvement is fortuitous to some extent—an important factor has been the increased earnings of the merchant fleet following the rise in freight rates—it is obviously welcome to Labour propagandists, who can also point to other positive features on the economic front, including the completion of the country's first large steel plant. This very costly state enterprise in northern Norway has now begun production and is reported to be doing well. It is contributing significantly to employment and prosperity in the north, and can hardly fail to influence voters there.

No Privacy for Tax Evaders

The remarkably fine summer this year has brought problems not foreseen by the economic planners. The drought has seriously affected farmers, and the repercussions are long term because livestock has had to be slaughtered. Government compensation for losses failed to satisfy the farmers entirely, and they stopped milk deliveries temporarily in protest; but this stoppage is more likely to aid than harm Labour prospects in the elections. More serious,

perhaps, are the consequences of the drought for industry. Hydro-electric supplies are being rationed, and, particularly in Oslo, consumers are hard hit by power cuts. But it is unlikely that rational Norwegians will put the blame on the authorities, especially as there has been a remarkable development of power resources since the war and electricity consumption has more than doubled.

A peculiarity in Norway is the publicity given to income-tax returns—anyone can find out, by going to the local tax office, what anyone else in the district is earning—and this year it has resulted in the publication of figures showing that in Oslo a number of businessmen, including some shipowners, are earning disappointingly little and paying correspondingly little, if any, tax. Wage and salary earners, who cannot engage in tax evasion, are indignant, and Labour party tacticians hope that some votes will rebound in their direction, even though Conservative newspapers this week have given much space to explaining that the figures are misleading.

The opposition parties have little of substance to offer electors in the face of Labour's quite impressive national achievements. A party long in office will normally lose support, but this has not been the case in Norway since the war. This is largely the result of the country's long spell of prosperity and stability, and while it can be properly argued that this is not entirely the government's achievement, it does make the task of a divided opposition extremely difficult. Only a serious crisis could make any substantial number of Norwegians change to a horse of a different party colour.

The Petrov Report

FROM OUR CORRESPONDENT IN CANBERRA

IT has taken the Australian Royal Commission on Espionage more than sixteen months, during which it has examined 119 witnesses and issued a 483-page report, to reveal that there has been no effective Russian political espionage in Australia since 1948.

While Dr Evatt continues his fulminations against the inquiry, but apparently with receding enthusiasm, the man in the street has been somewhat taken aback by the mountain's labours in bringing forth the mouse. The critics of the commission have probably been too insulting, and its sponsors too pious. Its report is still an interesting spy story, although not the kind that Hollywood would invent. It shows the MVD organisation as one which leaves no stone unturned—but blockheadedly turns up the most unprofitable stones. The story unfolded by the commission is frequently a sinister kind of farce; for instance, Moscow chose, as the man to be asked for details of American "economic, military and political penetration of Australia," a person certain to be a mine of misinformation.

The facts emerging, and their significance, can be briefly summarised. First, the inquiry indicated serious leakages of information from the Department of External Affairs up to 1948, but the Petrovs could not identify the informers, or the nature of the information; the leakages happened before their time. Secondly, it showed convincingly that the Australian Security Intelligence Organisation, set up by

the late Labour Prime Minister, Mr Chifley, did destroy the ring of espionage contacts in the department. Thirdly, it showed that if Petrov had not defected, and if the Labour Party had won the last Federal elections (as it nearly did), the Press Secretary to the Prime Minister of Australia would have been a man whom the Russians had "on the small hook." (This is a suggestive phrase used by Mrs Petrov to describe the situation of a person who has compromised himself by performing some service, and may be considered vulnerable to pressure and intimidation.)

Woomera the Prize

The fourth important aspect of the inquiry—and one that neither Britain nor Australia can underrate—is that the Petrovs had no knowledge of the operations of the GRU (military intelligence) in Australia. Petrov knew that Moscow had had no GRU representative in the Embassy for some time before his defection, but was sending a new GRU man to Australia. He knew that the real prize for Russian military espionage in Australia was the Woomera Long Range Weapons Establishment, but he did not know whether any penetration had been made there. He believed that an "illegal apparatus" of the GRU was still operating in Australia. Russia's interest in the guided missile project remains a fascinating, perhaps a frightening, mystery.

Finally—but this has nothing to do with the commission's own inquiry—the commissioners reported that the Petrovs had been closely questioned on behalf of the counter-intelligence organisations of other friendly countries, and had been able to give these countries information of great value. This is almost certainly the most important aspect of the Petrov affair.

Petrov was a comparatively high-ranking MVD officer, who had worked in its Moscow headquarters, and as an MDV "resident" in other diplomatic missions before he went to Australia. His wife also was an officer of some standing in the organisation. Both must have been able to add to the information on MVD methods that was already in the hands of western security services. Both would presumably know of its past operations in other countries, about which these countries would by now have been warned. And—a most important point—both must know a good many of the personalities in the MVD. The implication is that a number of trained, experienced MVD workers will have lost much of their usefulness to the Russians because they can be identified by the Petrovs. Although such agents indulge in frequent changes of names (Petrov had changed his), it could well be imagined that, in future, photographs of new Russian diplomatic arrivals in friendly countries could be sent to Australia for possible identification by Petrov or his wife.

"Document H"

The political significance of the Petrov affair was grossly overrated by Dr Evatt as Opposition Leader, although no one could have known this in the beginning. There is no word of criticism of his activities as Minister for External Affairs at the time of the "serious leakages" from the department. The commissioners have also completely cleared his protégé, Dr John Birch, who was head of the department towards the end of that period, and Mr Arthur Dalziel, who has been Dr Evatt's private secretary for many

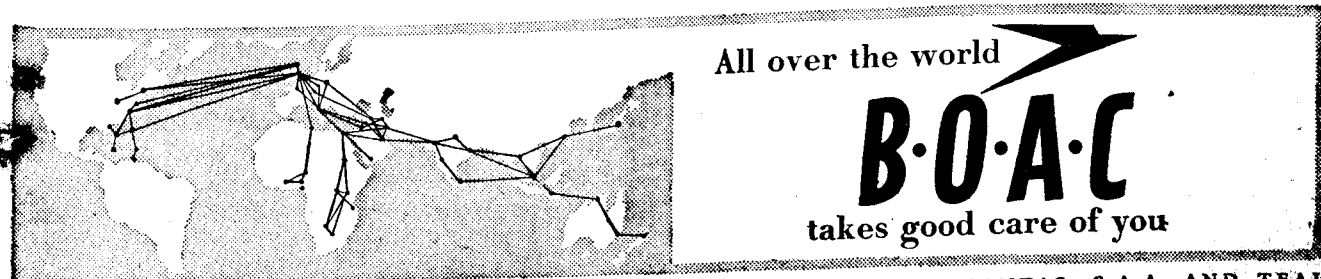


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years. They found adversely against Mr Fergan O'Sullivan, his press secretary, who admitted authorship of "Document H," a scandalous report on Australian political journalists which went to Moscow by way of the Tass representative in Australia. But Mr O'Sullivan wrote the document before joining Dr Evatt's staff; and Dr Evatt is no more held responsible for Mr O'Sullivan's private activities than his previous employers were.

Dr Evatt's frantic effort to establish the Petrov papers as fraudulent goes against all the weight of probability and coincidence, and has not made any headway with either the commissioners or the public. Probably the only real damage done to Dr Evatt by the Petrov affair was that which he inflicted on himself. Indirectly, however, there was some gain to the Menzies government in reviving the issue of Communism—one which it has exploited successfully in the past.

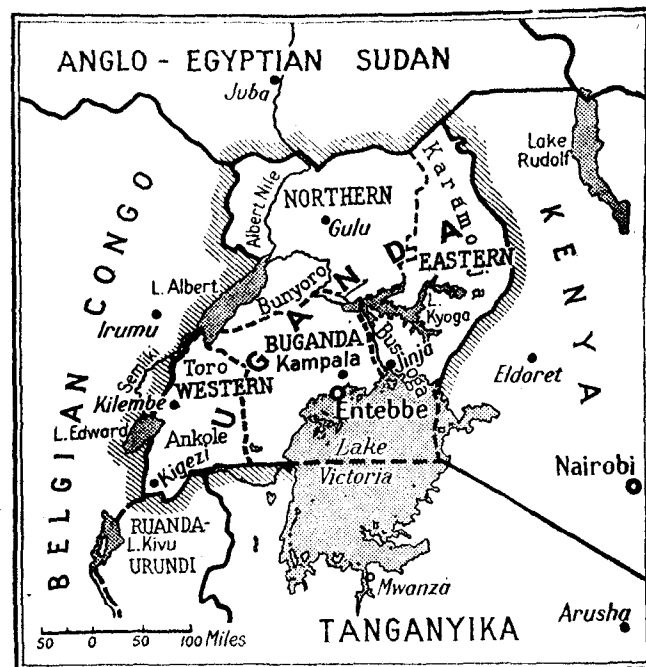
New Chapter for Uganda

WHEN the Kabaka of Buganda returns to his capital of Mengo, near Kampala, in mid-October, nearly two years will have passed since his exile began. That is a considerable reduction on his first sentence, which was a life one; but though his return will be triumphal, it will be to a transformed Buganda—and Uganda. Much of the transformation, admittedly, is on paper. But the Kabaka's first act will be to sign the new agreement between Britain and Buganda formally making him the constitutional monarch which, in fact, he has been since his representatives swore in the new Buganda ministers six weeks ago. The rulers of other provinces in Uganda, such as Bunyoro, have already learned the lesson of the past two years and had themselves converted into constitutional monarchs. The Uganda central legislature has been reformed, and a new multi-racial ministry is in being, one minister being a Muganda, and a member of the Uganda National Congress at that. Thus most of the things on which a progressive administration had set its heart over two years ago, and which the Buganda dispute put in jeopardy, have come to pass. A reorganised, more closely knit Uganda is settling down to take practical lessons in the arts of self-government within the framework of what can become a viable modern state.

There have, of course, been concessions on both sides. Britain has, at least tacitly, admitted that the exile of the Kabaka was an error and that the strength of Buganda tribal feeling was misunderstood. The Kabaka returns to an immensely strong personal position among his own people. The new agreement recognises, in effect, that there was something in his contention two years ago that the old treaty relationship put him in an impossible position between his own people and the British government. With a ministry responsible to the Lukiko has gone a closer definition of the limited functions of the British Resident. The British have had to put in writing the promise that no steps will be taken to federate East Africa; and the Uganda legislature has passed (with eight opposing votes) the necessary legislation to continue the present shadowy "federal" link, the East African High Commission.

Buganda has thus given up its separatism; it remains to be seen whether it will come out of the mood of nationalist

self-absorption into which the crisis threw it. The new Buganda constitution will justify itself in the long run only if it acts as a bridge between deeply rooted tribal needs and feelings and a wider allegiance to the common good of the protectorate as a whole. This may happen, ironically enough, through the unexpected emergence of the Uganda



National Congress as the only effective party in the central legislature—a party of four Baganda and one Busoga tribesmen. The Lukiko declined to accept the recommendation that they should nominate members to the central legislature, and proposed a complicated system of indirect elections instead, almost as if to dissociate the "Great Lukiko" from the new-fangled protectorate parliament. In the elections which followed, the notabilities of Buganda concentrated their interest on the elections to the Lukiko. They kept the Congress effectively out; but they neglected the elections to the legislature, availing that no Muganda of any importance would prefer a seat in the legislature to one in the Lukiko. The Congress concentrated its efforts on the legislature and won four out of five seats. When the Governor promoted one of the successful candidates, Mr Kironde, to be a minister, a sudden change came over Baganda attitudes and there was a scramble for the vacant seat—and again a Congress man won it.

Tempting Adulation

Whether or not the Congress can be credited with the wisdom to see it, it is logical that in the long run the central legislature will overshadow the Lukiko—if, that is, Uganda's new-won unity is to be maintained. This should give Congress members, as the representatives of Buganda, a new status in their own country, and one that would be further improved if they held their seats in the direct elections which may be introduced in 1957. This prospect should encourage them to build a proper party organisation in place of the makeshifts which have existed hitherto, and develop a coherent policy—it can hardly be anything but nationalist and pan-Ugandan—in place of the opportunism which brought them into bad odour with the traditionalists

in Buganda, who now dominate the ministry and the Lukiko. They will fix their eyes on 1961, which is the earliest date at which Uganda's constitution can be changed in the direction of further responsible government. Their opportunity is to gain administrative and parliamentary experience; their temptation will be to fritter their victory away in immature exhibitions of intransigence.

In Buganda itself, the Kabaka will be faced with temptations also; it will not be easy, amid all the adulation, to maintain the detached position of a constitutional monarch. There seems evidence that the Kabaka will, however, try to do so, and that his sojourn abroad has given him a clearer perspective of the position of Buganda in African developments. If he can pass this on, he can do his people, and East Africans as a whole, an invaluable service. He can certainly take warning from the recent retreat from politics of the Asantehene in the Gold Coast. His role could be the adaptation of tribal life to the needs of modern Africa.

The administration will now be able to push forward with many projects for economic and social reform, which awaited the constitutional reorganisation of the protectorate—the development of the African public service, the replanning of Kampala, the plans for expanding African agriculture and trade, and the expediting of industrial development, which has received something of a setback from the withdrawal of the Monsanto company from the Tororo scheme. The thirty African members of the legislature, the three new African ministers and two parliamentary secretaries will find in this type of work plenty to exercise their administrative and political talents.

Germany's Atomic Plans

FROM OUR CORRESPONDENT

SIR JOHN COCKCROFT is in North Rhine-Westphalia this weekend at the invitation of the Germans, a number of whom have recently visited Harwell. He will find a situation in the field of peaceful atomic energy which can be described in broad terms very simply. The Germans are at least ten years behind the British and Americans in practical work. They are still confused about the best way to catch up, but catch up they will, and the experimental work done in other countries has saved them much money.

A number of research institutions, which have had to confine themselves largely to collecting documentary material from abroad, have been working on atomic energy, with the financial help of interested industries. But no practical experience could be gained because it was forbidden until Federal Germany regained its sovereignty in May this year. Peaceful activities are now allowed, while the production of atomic weapons is still barred. If the German army has such weapons in future, it will be from American stocks. Dr Adenauer's government has been, and is now, loyally determined to do nothing that would arouse suspicion that the bans were being evaded. It is criticised for being too cautious and dilatory by industrialists and Professor Heisenberg. As a sign of his displeasure, the famous physicist of the Max Planck Institute refused to go to the Geneva atomic energy conference with the German official delegation.

At the Geneva gathering, the Germans were merely

onlookers. They were immensely impressed by the revelations of the progress that had been made in Britain, America and Russia in the practical application of atomic energy—not in the theories behind it, which their own physicists know all about. Since Geneva, there has been a new effort to speed up decisions on Germany's own production plans.

Munich and Karlsruhe

Of all the problems which face the Germans, finance is not regarded as by any means the greatest. Even the French, it is noted, are prepared to spend the equivalent of one billion marks (or nearly as much as Britain's £100 million) on their three-year programme, and Germans cannot and will not be more parsimonious than their competitors. This means that far more than the present government funds for "special research" will have to be found. For the first reactor, which will be built at Karlsruhe, much of the money is coming from industry, and this source is sure to provide a large proportion of the necessary capital in future. In return, the industrialists demand that the state should reduce its control over production to the bare minimum. There is little likelihood that atomic power will become a nationalised industry in Federal Germany, although the Bonn authorities have blessed the idea, and there is strong opposition to the French government's proposal that a new and powerful supranational authority should take over the whole west European atomic industry. Inter-governmental agreements would be approved, particularly if the United States and Britain were to join them. On this matter, however, the different views have not yet been crystallised.

Germany's greatest need is seen to be lack of a young generation of technicians. A big gap has to be made good before Germany can compete with the rest of the atomic world. At present, there is still uncertainty about the right way to bridge it. Apart from an administrative tangle which is not yet sorted out, the question has still to be solved whether it is better to wait and profit by the experi-

For Your Business Friends

They would appreciate the *Businessman's Guide to Britain* for 1956. The Guide is compiled by The Economist Intelligence Unit and has a foreword by Sir Graham Hayman, President of the Federation of British Industries. There are sections on:—

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- How to get to know things in Britain*
- How to get about*
- Britain's major economic areas—descriptions and directories of thirteen areas*
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In addition, the Guide provides many hints for travellers.

The *Special Presentation Edition*, obtainable in quantities of not less than one hundred, will be available at the end of October. Details from:

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ence of the Americans and British, or take the plunge by buying reactors now which may be out of date in a few years' time. Here the urgent need for training young Germans will prove decisive. The present prospects are that an American low-powered research reactor of the "swimming pool" type will be set up near Munich, using 20 per cent enriched uranium supplied on lend-lease under the same kind of agreement as the United States has signed with 23 countries. It will probably be under Professor Heisenberg and will be a training-ground for students at Munich university. Industrial funds will buy it with the help of the Land of Bavaria.

At Karlsruhe, another reactor will be erected by the Germans themselves—probably a low-powered, so-called "Model T" type, using either natural or slightly enriched uranium. In Professor Heisenberg's view, the two reactors should both be at Munich for the sake of efficiency; but the government has chosen Karlsruhe, near the French frontier and the American military base, in order to still any fears which might have been aroused if it had been installed near a Russian-controlled area. In addition, the North Rhine-Westphalian government and industry will set up a small training reactor for the Ruhr.

Though they are exploiting their fairly large uranium deposits in the Black Forest and Bavaria, the Germans are still dependent on imported fissionable material. Apart from good credit terms from the American firms, this fact inclines the Germans to purchase from the Americans rather than the British. But British help in training students would be very welcome to the Germans and would lead to collaboration which might later have great political as well as economic value.

Europe's Dollar Bill

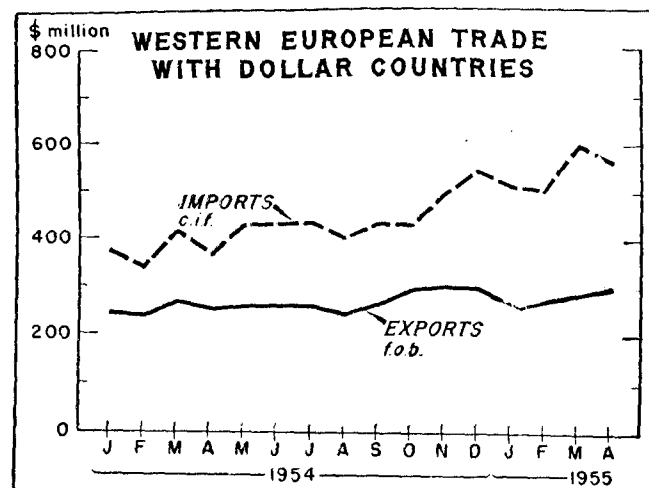
DURING the past year and a half a number of countries in Western Europe have taken steps to liberalise their dollar imports. Some countries—Finland, Norway, and Austria are examples—have done this simply by administrative measures; permission to import goods from the dollar area has been granted more freely. In others, such as Western Germany, the Netherlands and Sweden, formal dollar liberalisation measures have been announced from time to time. The "free list" in these countries has gradually been expanded until something like 85-90 per cent of private imports from the dollar area (based on 1953 imports) has now been liberalised. The United Kingdom has followed a separate course of freeing from restrictions imports of raw materials and crude foodstuffs from dollar sources; about 50 per cent of private imports (1953 base) have been freed.

It was only to be expected that these measures would result in an increase in imports from the dollar area; but, as the Economic Commission for Europe (ECE) points out in its latest quarterly bulletin,* "the gap between dollar imports and dollar exports has grown very considerably." Indeed, Western Europe's dollar gap is now at a level of

* UN Economic Bulletin for Europe, Vol. 7, No. 2. HMSO, 3s. 9d.

\$200 million a month (calculated on a fob basis), and is thus twice as big as it was a year ago. The measures taken to liberalise dollar imports are not, of course, the only reason for this deterioration, but they have added substantially to the bill.

Imports into Western Europe from the dollar area have increased generally, but the rate of increase is higher in those countries which have liberalised. In some cases, such as imports of cotton, coal, steel and scrap, and animal feeding stuffs into the United Kingdom, of oil-seeds, vegetable oils and fats into the Netherlands, the increase has been substantial. There have been only moderate increases in



machinery and chemicals. An important and rather disturbing trend is the switch which has taken place from non-dollar to dollar sources of supply for certain commodities, notably nickel imported by Western Germany.

The ECE bulletin points out that a double purpose lay behind Western Europe's dollar liberalisation. Firstly, imports might be cheapened and downward pressure exerted on European price levels. This, the commission's secretariat considers, has been "fairly effective" in practice. The second aim was to bring pressure on the United States to adopt a more liberal import policy by setting a good example. The ECE is, perhaps, a shade too pessimistic in judging that it has failed in this respect.

As to the future, the ECE rightly points out that increasing difficulties lie ahead. Up to the present, because of the scope of the liberalisation measures and the high level of demand for Western Europe's products, "dollar liberalisation has so far represented not increased competition (for European industries), but—on the contrary—an improvement in their competitive position." This could be drastically altered in the event of a business recession in Europe. Furthermore, the scope for liberalising imports essential for production is now limited; further moves are likely to involve imports of such things as luxury goods and cars. Liberalisation in these sectors, besides hitting European competitors hard, could have a considerable effect on the structure of Western Europe's imports.

The ECE tends, therefore, to favour a cautious approach to further measures, especially in freeing imports of foodstuffs and raw materials. But there is no doubt that dollar liberalisation does have a valuable stimulating effect on European productivity. Rising production in Europe will not only facilitate, but also necessitate, further advances along this road.



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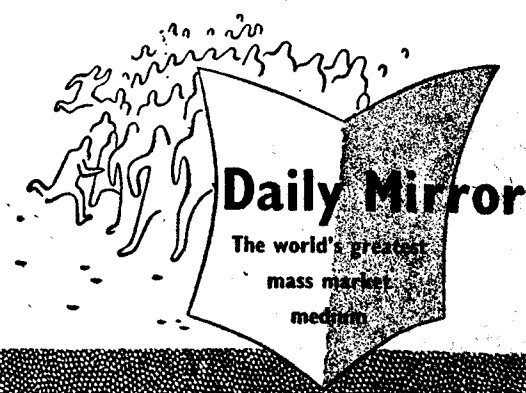
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THE BUSINESS WORLD

Wheat in Plenty

EIGHTY countries are being invited to the International Wheat Conference that opens in Geneva on October 26th to consider the renewal of the International Wheat Agreement which expires on July 31st next year. All the forty-eight signatory countries of the next year. All the forty-eight signatory countries of the present agreement will no doubt attend, and there will be influential voices among the non-members. Britain, the world's largest importer of wheat and the most notable absentee from the 1953-56 agreement, will be represented. Argentina, the largest non-member exporter, will probably be there; Turkey, an emergent exporter, is almost certain to attend and Russia and other Soviet countries may rub shoulders with the West. The responsibilities of this conference are great. The international grain trade and the wheat agreement are stuck in a rut, and fresh thinking is needed to get them out.

Looking back, it is clear that the expiring agreement was already out of date in April, 1953, before the signatures renewing it for a second term had dried. By then production of wheat in Europe and Asia had recovered from the ravages of war, and in some countries output comfortably exceeded the prewar average. In the four main exporting countries—the United States, Canada, Argentina and Australia—production remained high and exports fell further; as a result supplies available for export and carry-over on August 1st, 1953 rose sharply by nearly 440 million bushels to a new record of 2,090 million. A year later the carry-over was higher still at 2,155 million bushels, and it rose again to 2,374 million bushels on August 1st this year, despite poor crops in certain countries last season.

The adjustment to conditions of plenty has still to be made. This year nature has again been bountiful. The American crop is now estimated at 916 million bushels, only 54 million bushels less than last year. Canada is harvesting another better-than-average crop—the fourth in five years—of about 500 million bushels, compared with the bad crop of 300 million last year.

Europe's harvests are as heavy as those of last season but of much better quality. India has enjoyed a record harvest. It is early yet to be certain of Argentina and Australia, but Australia predicts a crop of 200 million bushels compared with 167 million last year.

WHEAT SUPPLIES ON AUGUST 1ST, 1955
(Million bushels)

	U.S.A.	Canada	Argentina	Australia
Carry-over	1,020 ^a	481 ^b	60 ^c	95 ^c
Production	916	501	283 [†]	167 [‡]
Total supply	1,936	982	343	262
Less				
Domestic use*	608	150	132	71
Exports†	26	nil	83	79
Available for export and carry-over	1,302	832	128	112

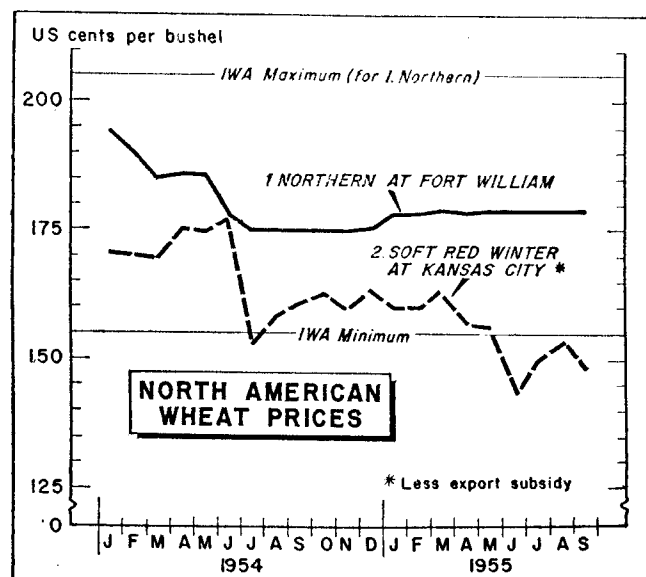
^a Year beginning July 1, 1955
^b " " Aug. 1, 1955
^c " " Dec. 1, 1954

* for crop year
[†] beginning of crop year to July 31st, 1955.
[‡] 1954/55 crops

Surfeit, behind a front of stability, now seems to be the norm in wheat. Better strains and fertilisers increase the yields each year; governments are reluctant to restrict production; and neither production nor consumption show much response to lower prices. It must be asked, indeed, whether in such conditions a wheat agreement of the present type has much point. It can indeed assure to an importing country a minimum quantity of wheat at a maximum price. And since no importer can be certain that the "free" price will always remain below the agreed maximum price, the degree of contingent protection that such a ceiling offers may still seem worth having.

But for exporters as a whole it is difficult to see much positive merit in the agreement. The assurance of a market for a maximum quantity of wheat at a minimum price was never worth much, and it would be worth even less if Argentina and other exporters were to come in. If the importers were called on under the present agreement to take up their quotas in full, the

exporters would sell more wheat because the importers would be forced to buy less from non-member countries. But if all exporters were in the agreement there would be no such advantage: no one would sell more wheat because the quotas are always fixed well below the importers' total annual requirements. Nor is the minimum price itself of any collective worth to exporters. All the exporters are single sellers in effect if not in name, and all have shown in face of towering surpluses that they can and will prevent a collapse in price. That, after all, was a prime reason for setting



up these state marketing systems. Prices used to collapse because thousands of farmers rushed to sell before they weakened further; now a collapse could only result from a deliberate decision of one or several governments to sell regardless of the consequences.

Why, then, do the exporters favour the agreement? For Canada and Australia the reason is clear; individually they feel that the obligation not to sell wheat at less than the minimum price, and the pressure of opinion in the meetings of the Wheat Council, helps to keep price competition from the United States within bounds. The bounds have admittedly been stretched pretty far. While the Canadian price never fell below 175 US cents a bushel compared with a minimum of 155 cents (basis No. 1 Northern, ex-Fort William) certain grades of American wheat have been sold at prices below the equivalent minimum, making full allowance for quality discounts. The United States itself has no direct need of the agreement. Indirectly, it may throw a cloak of respectability over the subsidy of wheat exports on a vast scale, and provide the American Administration with a plausible defence when Congress needles it to get rid of wheat at even lower prices.

Can the world be satisfied with a wheat agreement that obtains the support of importers and exporters on such negative grounds? To say this is not to attack the wheat agreement as such; no agreement can be any better than the policies of member countries. The

real ground for criticism is of the policies and the waste of resources they sanction. It is not America alone that is to blame. In Europe wheat production is artificially encouraged by support prices that match and exceed the American support price, and restrictions on imports of wheat ensure that home production is fully consumed. Canada and Australia, for all their criticism of the United States, have so far seemed content to await acts of God to reduce the surplus. And the United States deserves a measure of praise for having cut wheat acreage in recent years by one-fifth to 55 million acres, and the support price by one-fifth to 1.81 cents a bushel (on the 1956 crop).

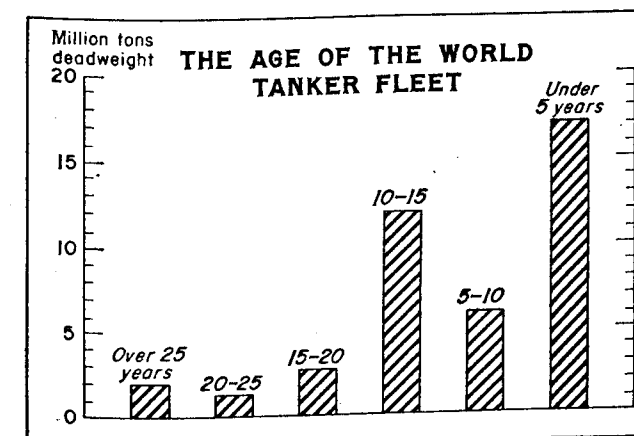
Are there the makings of a fresh bargain here between exporters and importers? In return for the assurance of supplies at a lower maximum price, would importers undertake gradually to restrict their own high-cost production and give the exporters a larger market? Take the case of Britain. Last year 2.4 million tons of wheat were produced and sold in the free market at an average price of £22 a ton. That wheat cost the Exchequer another £10 a ton, for £24.2 million was paid out to farmers in deficiency payments. Suppose now that the exporters were prepared to conclude a new agreement, for five years, with a maximum price of say 180 cents a bushel. Britain then could not be asked to pay for No. 1 Northern more than it pays today, and with a realistic discount for quality it would be assured of supplies of soft wheat comparable to English at a cif price of not much more than £22 a ton.

If home production could be discouraged to the extent of half a million tons Britain could obtain similar wheat abroad at no extra cost to the nation as consumer, while the nation as taxpayer would save £5 million. It is not a question of taking land out of production; it can be put under coarse grains, for which there is a ready and expanding demand for animal feed. Britain has belatedly begun to recognise that a shift in emphasis from wheat to coarse grains is desirable, and farmers are being encouraged to sow less to wheat and more to barley and oats. Other European countries might well be prodded into a similar reduction in wheat output in return for a lower maximum price in the IWA. Conversely, the prospect of a larger world market should encourage the exporting countries to reduce their own acreage.

Specific obligations to reduce wheat acreage or output obviously could not be written into a new wheat agreement; the American Congress, for one, would not tolerate such interference, and neither would other farmer-conscious governments. But solemn undertakings to work in that direction could be given, and the meetings of the Wheat Council might eventually have some effect as the Council of OEEC has shown in shaming members into good behaviour. The choice before the conference is simple: either the world will go on devoting too much of its resources to wheat production; or an attempt can be made by means of a new wheat agreement to bring some order into wheat.

More and More Tankers

THE wholesale programmes of tanker building that began in the world's shipyards in 1950-51 are not yet over; at the end of June there remained about 7½ million tons deadweight still to be delivered. But with launchings of the order of 4 million tons a year, those programmes are now within sight of completion—on the time scale that tanker operators and shipbuilders have to use—and during the last few weeks large-scale tanker ordering has been resumed. Since the beginning of July contracts have been announced for the building of some 2½ million tons dw of new tankers—ordered by independent shipowners, some of them new to the business, as well as by oil companies. Thus P & O has entered the tanker trade with orders for 25 vessels



totalling more than 450,000 tons dw, and has this week been followed, on a much smaller scale, by William Cory and Sons. Last week Shell announced contracts for 34 large tankers, while Esso has added six of 36,000 tons each to its building programme; the new Shell programme is not yet complete, British Petroleum is expected to announce fresh orders soon, and other oil groups are also likely to order several "super-tankers." The programmes already on hand do not extend much beyond the early months of 1957; those now announced are for tankers to be delivered between 1958 and 1960.

It is little more than a year since the rate of tanker launchings (which reached a peak of 4.7 million tons dw in 1954) was proving an embarrassment to the tanker market; spot rates were still slipping steadily downwards, with few signs of recovery from the slump that hit them in 1952, and time rates remained low. There were 4 million dw of tankers laid up in August, 1954. The past year has seen a remarkable change. Today less than a million tons are laid up; about a million tons dw of tankers were scrapped during the year to June last, and perhaps 400,000 tons sold for conversion to dry cargo (mainly as bulk ore carriers). With the rate of launchings gradually declining, the world oil consumption rising faster than it did during the

American recession, tanker rates enjoyed their usual seasonal rise last winter and since have been fairly steadily higher than a year before.

With launchings past their peak and an increase in scrapping and conversion, the net growth of the world tanker fleet has moderated this year. Today the world fleet of commercial tankers totals about 41 million tons dw. That is about 75 per cent more than at the end of 1945, and the fleet's carrying capacity has probably increased more than that. During the same period oil consumption in the free world has roughly doubled. Tanker orders still outstanding and those newly announced promise a gross addition of about 10 million tons to the world fleet by 1960. What net increase in the world tanker fleet does this imply—and how does it compare with the demands that the oil industry can be expected to make on it?

★

Today, about 2 million tons dw of the world's tankers are 25 years old or more; by 1960, about 3½ million tons of the current fleet (assuming no scrapping) would have passed that age, and a further 2.7 million tons would be 20-25 years, becoming obsolescent and expensive to sail. Assuming that no further tankers are ordered, and that all tankers are scrapped at 25 years old, the net world fleet at the end of 1960 would be about 48 million tons. Neither assumption, of course, is valid. Further orders are likely, and could be delivered by 1960; and on the other hand any shortages of tanker tonnage that may arise prolong the life even of the oldest ships.

Yet there is an upper limit to the extent to which the world fleet can be inflated by retaining obsolete tankers in service. A certain amount of wastage is inevitable through accident and stress of weather, and older tankers need longer periods out of service for repairs and maintenance. Moreover, at present, there are attractions in other trades that might persuade independent owners of tankers to take some of their vessels out of the oil trade before they reach this age—the demand for specialised ore tonnage, to which conversion is comparatively easy, is likely to remain high for a few years. In the same way an upper limit to the further orders that might further swell the fleet is set by shipbuilding capacity outside the United States. Substantial orders for dry-cargo tonnage for delivery before 1960 have been placed since the last great wave of tanker ordering, and many of the yards capable of building big tankers must have their berths largely reserved over this building period. If deliveries of tankers between now and 1960 could be stepped up again to an average of 4 million tons over the whole period, and the scrapping of obsolescent tankers meanwhile limited to, say,

2 million tons, an upper limit for the size of the world fleet in that year would be about 60 million tons. But a fleet of that size would require the ordering and delivery of about 12 million tons more than have so far been ordered.

The size of the world tanker fleet in 1960, then, might lie in the range between 48 and 60 million tons deadweight—according to the demands of the oil industry. That is a range of increase from about 3 per cent to about 8 per cent annually. How much does the oil industry expect its need for tankers to increase during the next five years—which is only once removed from the question how much it expects demand for petroleum products to increase?

Even in an industry where demand shows the continuous increase that it does in oil, fluctuations can falsify the best guess; but the oil industry, whose production, refining, and transport facilities take a long time to build, has to think forward. The Shell group, indeed, has recently committed itself to estimates of world oil demand over the next ten years, and more particularly over the next five. Naturally, it offers a range rather than a single figure, and a wide one. It suggests that demand for petroleum products outside the United States and the Soviet sphere of influence, which last year totalled about 250 million metric tons, may reach between double and treble that figure in ten years' time. That means a rate of annual increase varying between 6.5 per cent and 10.6 per cent over the decade. For the five-year period to 1960 its forecast is more specific. Shell holds that the average increase in petroleum demand in the free world outside the United States during the next few years might be 7.6 per cent yearly—though the possibility of exceptionally high exports of American coal might reduce this rate of increase for oil to 6.35 per cent yearly.

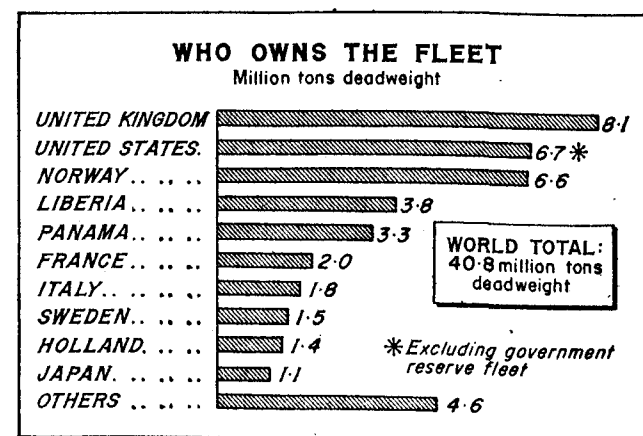
How much more tanker tonnage is required for a given rate of increase in oil demand? There is no simple answer to that question, and even historical statistics may be misleading. Many other factors affect demand for tanker tonnage—the shifts in the pattern of world crude production, the construction of refining facilities in market areas, the speed and size of tankers, all of which have radically changed over the last 20 years, have probably together been more important in determining tanker demand than the simple increase in demand for petroleum products. In certain postwar years, the amount of oil entering world trade has increased much more than total oil consumption. But the estimate of demand for petroleum products quoted above excludes the United States, where demand is not expected to increase to the same degree. It might be prudent to assume, therefore, that the increase in demand for total tonnage, over the next five years, may fall slightly below that increase in demand for oil.

An annual increase of about 5 per cent in tanker tonnage up to 1960 might be considered desirable, therefore, if demand for petroleum expands as Shell thinks it may. Applied to the current world fleet (which

of course includes nearly 7 million tons dw under the American flag), this would suggest that a world tanker fleet of some 52 million tons might be required by the end of 1960. I would imply that from 2 million tons to 4 million tons more tankers may need to be ordered for delivery within that period than in the latest programmes.

That is one reading of an extremely murky crystal. But it seems quite apparent that the new round of tanker orders by the British-centred tanker groups could not have been delayed much longer, if the industry's most cautious hopes about demand are to materialise. And it is probably safe to conclude that further substantial orders for tankers must be placed for delivery by the end of the fifties—which means ordering fairly soon. Moreover, it seems likely that the oil companies centred on this side of the Atlantic may need the major part of the extra tonnage—which should offer good chances to British shipyards.

The cost of the tankers now on order—about 10 million tons dw of them—is probably of the order of £700 million, if one takes current building costs in the United Kingdom, which are as reasonable as any. The further tonnage that may be required by 1960, on the conjectures above, is likely to raise this figure to perhaps £1,000 million or more. It is hardly surprising that the oil companies, which have massive investments in exploration, production, and refining to finance as well as tankers, should be inviting more independent ship-owners to enter the tanker trade and to share some of



this financial weight—with its rewards. Their own forward estimates, it may be added, do not postulate any significant falling off in demand for petroleum products when one looks beyond 1960: it will be a long time before atomic energy begins to take much weight off oil, however rapidly it infringes on coal demand. And by the middle sixties, tanker owners are uncomfortably aware, they will be entering a period when the normal process of replacement begins to be accentuated, as the large numbers of tankers built during the war near the end of their economic working lives.

Business Notes

Waiting and Guessing

EVENTS always cast their shadows before them in Throgmorton Street. Three shadows slanted across the floor of the House this week. Next Tuesday the Chancellor and the Governor will speak to the City of London at the Lord Mayor's Banquet; the gold and dollar figures for September will have been published; and, conceivably, the terms of the conversion offer for the 3 per cent 1955 Serial Funding bonds—£524 million due for redemption on November 14th—will have been announced. It is not in the nature of the Stock Exchange to see these shadows without guessing at the shapes that make them. One surmise, stronger than a guess, is that the Chancellor will soon announce cuts in expenditure. Another, far more hazardous, is that the conversion offer will be "neutral."

Whether or not the events prove these guesses to be right, investors seem to have been willing to act upon them. Their assumptions would argue for a monetary policy that brings neither more nor less pressure. They would also

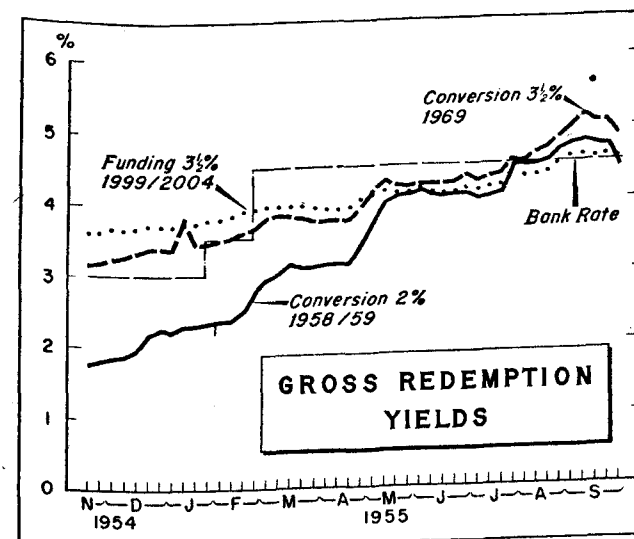
is right or wrong for the circumstances of today. But it is reasonable to think that such a distortion of yields as is illustrated in the accompanying chart argues that a readjustment is at work and is still unfinished. The concentration of buying upon the short to medium dated stocks, supports that view.

The P. & O. issue of £10 million of a 5 per cent debenture stock (1975-80) at 97 is out of the way, and the underwriters are left with 91½ per cent of it. "Failure" is the word to use but in a strictly limited sense. Private stockholders did not take up the stock, but the issue was aimed primarily at the institutions, which were the principal sub-underwriters at a commission of 1½ per cent. The stock opened at 1 discount. The sub-underwriting institutions which have the stock on their books are not out of pocket and are doubtless willing to hold. This further "failure" in the issue market implies that opportunities for making further substantial issues must be vanishing as underwriters become full up.

The Shadow of Wall Street

WHILE domestic shadows dappled the gilt-edged market, industrial equities fell under the shadow of Wall Street. President Eisenhower's illness hit the New York stock exchanges very hard. So much stock came on offer there on Monday that a market in some of the leading issues could not be immediately established. By the close on Monday 7,720,000 shares had been traded, the highest number for many years. Losses of up to \$10 were common and the Dow Jones industrial average—an indicator which is now under heavy critical fire—had fallen 31.89 points from the peak of 487.45 to 455.56. It is possible to describe this setback as an "emotional reaction" and to proclaim confidence in the buoyancy of the American economy in 1956. Indeed, these very points were quickly made, and when the President's physicians issued more cheering reports on his health the market rallied, bringing the Dow Jones industrial average back to 472.61 by the close on Wednesday. But even such a sturdy rally cannot entirely dispel the nagging question: can Wall Street prices, particularly of the second line issues, remain at their present height?

Dollar stocks in London had to follow the lead of Wall Street, and in a small way London took some dollar stocks from New York on the fall. The wave of reaction also spread to bring down the price of those British equities which in the last few months have been favoured by American investors. Yet, despite a widening of the jobbers' prices, some British investors were willing to buy



argue for no change in Bank rate—and, indeed, a conversion offer just around the corner would present a moral case for this view. On these lines of reasoning there is a short term case for the past week's strength in the gilt-edged market. The smaller banks, industrial companies and other institutions seem to have been among the buyers of stocks which offer an adequate running yield and, of greater importance, offer a good premium on ultimate redemption. It must be assumed that the Government broker, still making room for a new stock, has been the ultimate source of supply. The market wore the appearance of "grooming." It is profitless to argue that one particular structure of gilt-edged yields

back such stocks at lower levels. For all that, the *Financial Times* ordinary share index dropped 3 points to 191.5 on Monday. The Australian import cuts and the week-end reports hinting at economies and even of increases in taxes in this country did nothing to encourage optimism. But the bargain hunters came back into the London market when Wall Street rallied and prices, notably of those stocks recently depressed by rights issues, hardened slightly. Electrical equipment issues, for instance, gained strength after Lord Citrine's statement; even motor stocks were not unduly depressed when the worst was learnt from Australia; and a spot of bright relief was the prompt and heavy oversubscription of the Simon-Carves issue of 850,000 ss. ordinary shares at 22s.

Sterling Gaining Ground

THE firm undertone of sterling persists. Throughout this week there has been a steady commercial demand for dollars, some of it seasonal, such as the tobacco payments, others more regular, such as the needs of the oil companies. But significantly this big commercial demand for dollars had little impact on the exchange rate which has shown a persistent tendency to recover. On balance there has been little change in the spot rate against the dollar, which has held last week's improvement at around 2.78½-¾. European currencies, meanwhile, have all weakened against sterling, the movements being particularly marked in Swiss, French and Belgian francs and German marks. The short account in sterling has been reduced; some market guesses now put it at no more than £70 million to £80 million as against a pre-Istanbul peak of around £100 million. The covering purchases of sterling have dominated the markets in Continental currencies; they also help to explain the resilience of sterling against the dollar.

The improvement has been still more marked in forward sterling. The premium on three months' dollars, which at the end of last week was 1½-¼ cents, has narrowed to 1¼-½ cents. This also is an indication of covering operations reversing the bear sales that had been helping to widen the discount on forward sterling. Interest arbitrage, thanks to the improvement in the forward market, could again draw short-term funds to London. The Treasury bill rate in New York this week has been 2.1 per cent. The premium on the forward dollar rate now represents 1.7 per cent. The total of 3.8 per cent is now less than the rate of just over 4 per cent on British Treasury bills. So far, however, there is little evidence of this small margin attracting foreign funds to London.

The Squeeze Tightens

THE clearing banks' return for September—the make-up day was Wednesday of last week—will show that the credit squeeze is getting a firm grip upon their advances to the private section of the economy. When this issue of *The Economist* went to press, the month's statements were avail-

able for each of the "Big Seven" banks, and all of them showed a large decline in advances over the five-week period. A record decline had, indeed, been expected, because no less than £120 million had been paid up during the period in calls on the Gas and Electricity loans and, after providing for the current requirements of these massive public spenders, the greater part of this sum will have been used to reduce their bank loans—though not all of it will have reached the clearing banks. It is now evident that the advances of those banks will show an important decline over and above the big movement caused by these special repayments.

The seven banks whose figures are available show an aggregate decline of £121 million, which suggests that the reduction of advances by the clearing banks as a whole was probably in the region of £130 million, easily the biggest ever experienced in a monthly period. This implies that the advances of borrowers other than the gas and electricity industries probably declined during the five weeks by £30-£35 million, a perceptibly faster rate of decline than that indicated by the August return. The reduction of these advances since the end of June must be around £65 to £80 million, and the greater part of that contraction almost certainly reflects steps taken by the banks before the Chancellor's "directive" was added to the pressure upon liquidity in compelling restraint in lending policies. The full force of the twofold pressure has not yet been felt. Meanwhile, the big repayments of utilities' advances out of public issues mainly taken up by the "departments" have substantially improved liquidity ratios because the authorities have had to increase their borrowings on Treasury bills in order to finance the calls.

Costs Outstrip Production

HOLIDAYS make the production indices in July and August notoriously fallible signs of what is really happening to output; but, so far as they go, the latest figures suggest that industry, after recovering from the effects of the dock and rail strikes, is once again producing about 5 per cent more than it was a year ago. The provisional index of 121 for July (1948=100), was not quite 3½ per cent above July, 1954, and the figure forecast for August, 118-119, is about 5 per cent higher than a year before.

Statistical indications about the costs of this output are tending to confirm the warnings that businessmen—for example, Sir Harry Railing of the General Electric Company last week—have been voicing about Britain's power to compete in the export market. The Treasury recorded this week that in the first seven months of 1955 increases granted in wage rates amounted to about £218 million a year on the yearly wage bill, much more than the rise during the whole of 1954 or 1953; and earnings figures for April, published this week, show an increase of more than 9 per cent over April 1954, as compared with a rise of only 6 per cent during the previous twelve months. In August the index of basic materials prices was about 9 per cent higher than a year before. Output, clearly, is not matching increases such as these; so home costs per unit of output have gone on rising.

world's most modern chipboard
factory to make NEW *Gold label*

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WEYROC Man-made Timber was introduced by The Aircrew Company & Jicwood Limited in 1947 and has been made for 8 years from wood chips (waste from timber-mills) at Weybridge in Surrey. In this time Weyroc has completely established itself alongside the traditional forms of timber. New 'Gold Label' Weyroc carries the story a stage further. The opening of the new £400,000 factory at Annan—the first of its kind in Britain—has local, national and international importance. Almost fully automatic, this plant not only provides new employment for the district concerned and a productive outlet for waste Scottish Timbers, but helps save Britain importing expensive 'dollar' timber.

Since the introduction of Weyroc over 70 million sq. ft. of it have been sold and employed in building schemes of all kinds. The housing drive has been substantially assisted: more and more natural timber has been released for main structural requirements. And, because of its uniform quality and large size, Weyroc has given rise to new labour-saving and money-saving techniques in many industries. Now, with the opening of the Annan factory and the production of 'Gold Label' Weyroc, there are many new and varied industrial possibilities for this high-precision board.

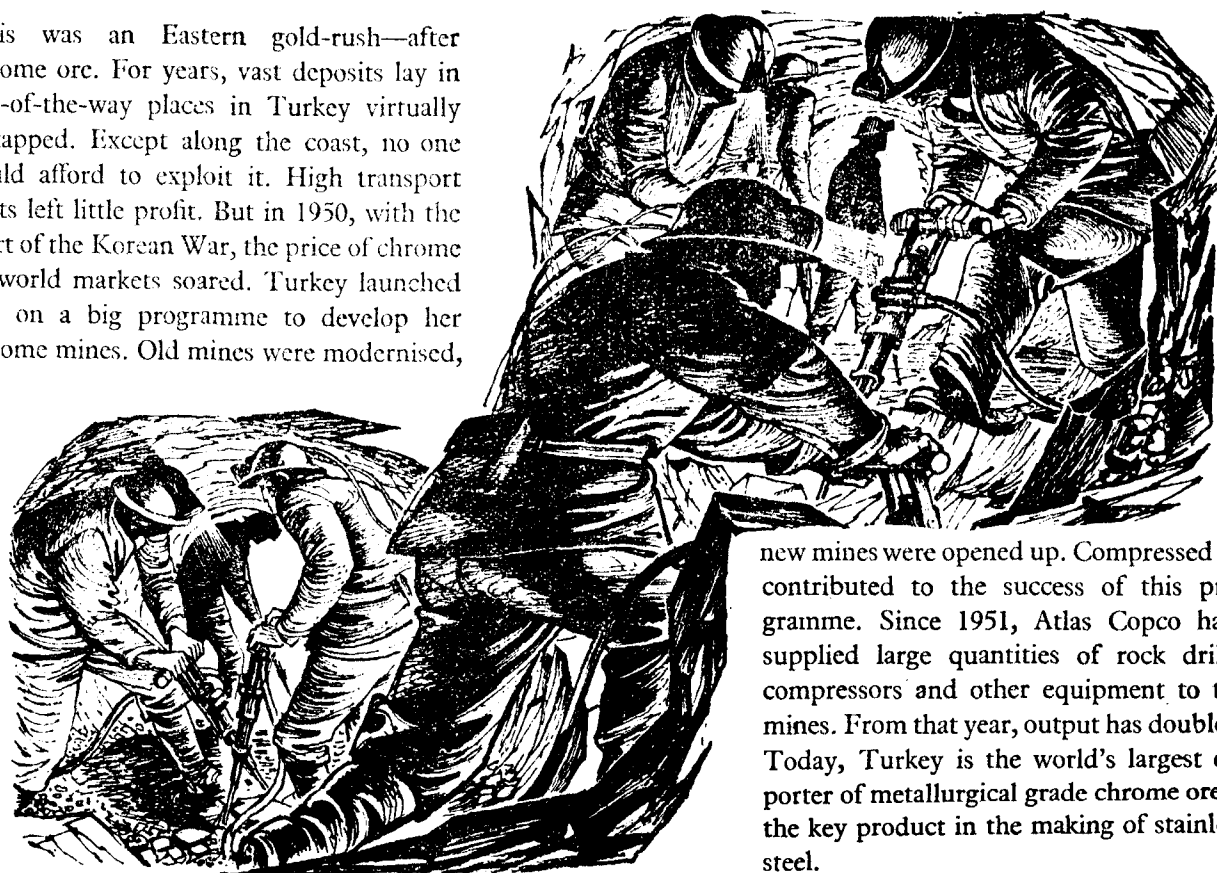
The full range of Weyroc boards, now in production at Weybridge and Annan, includes:
Blue Label Weyroc (45 lbs. density) Plain, Plastic-surfaced and veneered in ½" and 1" thicknesses.
Gold Label Weyroc (35 lbs. density) Plain in ½" and 1" thicknesses.
Weydec and Hardec—balanced boards with decorative plastic surfaces.



- Till
- Birnam Wood
- do come
- to Dunsinane'
- MACBETH ACT V
- The 'leafy boughs' of Scottish forests are once more being put to good use. 'Thinnings' (timber up to the thickness of a man's arm) have until now, been wasted. But, with the opening of the Company's new factory at Annan, this waste material will be turned into an improved form of Weyroc Man-made Timber, to be known as Weyroc Gold Label. The improvements gained by using forest thinnings as the source of raw material in this, the most modern chipboard factory in the world, are substantial and of particular importance both to the Building and Furniture trades.
- A board with precise characteristics and more precise dimensions, Gold Label Weyroc possesses these advantages:
- higher strength characteristics • precision • easier working
- perfect surface for veneering of highest quality

Vast new wealth tapped by Turkey

This was an Eastern gold-rush—after chrome ore. For years, vast deposits lay in out-of-the-way places in Turkey virtually untapped. Except along the coast, no one could afford to exploit it. High transport costs left little profit. But in 1950, with the start of the Korean War, the price of chrome in world markets soared. Turkey launched out on a big programme to develop her chrome mines. Old mines were modernised,



new mines were opened up. Compressed air contributed to the success of this programme. Since 1951, Atlas Copco have supplied large quantities of rock drills, compressors and other equipment to the mines. From that year, output has doubled. Today, Turkey is the world's largest exporter of metallurgical grade chrome ore—the key product in the making of stainless steel.

Where hotel doors open themselves

Compressed air is versatile. Atlas Copco provide the means for all its many applications, from helping to revolutionise Turkey's chrome-mining economy to providing hotels with pneumatic door openers. Like those shown in the illustration, these doors open automatically when someone breaks the beam of the 'magic-eye' device. They are now being used extensively in hotels, hospitals, offices and banks.



Atlas Copco puts compressed air to work for the world

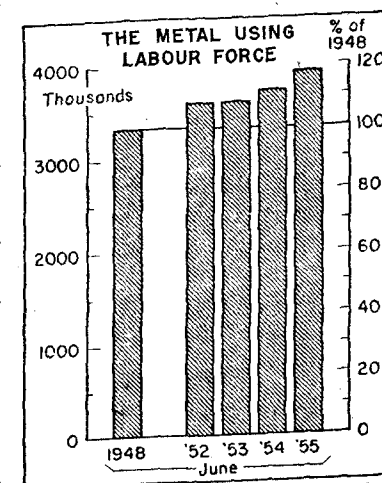
Atlas Copco compressed air equipment is manufactured or sold and serviced in 48 countries throughout the world by *The Atlas Copco Group*, which includes:—
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Oslo; TURKEY: Atlas Copco Ticaret ve Sanayi. T.A.S. P.O. Box 490-Galata, Istanbul; SOUTH AFRICA: Delfos (Pty.) Ltd., P.O. Box 504, Benoni, Transvaal; CANADA: Canadian Copco Ltd., Montreal, A.M.F., P.Q.; U.S.A.: Copco Pacific, Ltd., 930, Brittan Avenue, San Carlos, California; Copco Eastern, Ltd., P.O. Box 2568, Paterson 2, N.J.; AUSTRALIA: Australian Atlas Company Pty. Ltd., P.O. Box 54, Auburn, N.S.W.; NEW ZEALAND: Atlas Copco (N.Z.) Ltd., Huddart Parker Building, Wellington, C.I.

Engineering Gets the Labour

ENGINEERING—the “metal-using industries”—has acted as the mainspring driving production upward in Britain this year. In the first half of the year output in this heterogeneous industrial group was about 12 per cent higher than in the first half of 1954, as compared with the rise of about 6 per cent for industrial production in general. The metal consumer goods—primarily motor vehicles—have led the advance; in the first seven months of the year car output was 16 per cent up. These particular sections of engineering are among the heaviest users of sheet steel, and have been responsible for the large imports of sheet that have become necessary.

These industries have achieved marked increases in productivity, both through utilising their equipment to the full and from improving capital equipment; but a significant part of the increase in engineering output has come from extra hands. They have obtained a lion's share of the increase in the manufacturing labour force. The total British working population is now only slightly higher than it was a year ago, by about 50,000; and some 550,000, or about 2½ per cent, higher than in mid-1953. Manufacturing employment in July was about 233,000 higher than a year ago, some 2½ per cent up, and about 5½ per cent higher than two years ago. But the much smaller labour force in the metal-using industries in July was fully 200,000 higher than in July, 1954—a rise of more than 5 per cent—and about 12 per cent higher than in the middle of 1953. One at least of the consequences that many people have always feared from brimful employment—that there would be insufficient labour mobility, and that people would not be prepared to go and work in the industries for which demand was highest—does not seem to have materialised in practice.



Mild Curb on Electricity

INVESTMENT in electricity distribution—the mains and equipment through which Area Boards sell to consumers the power that they buy from the grid—is being cut by 10 per cent this year; and “non-operational” investment—in, say, offices and canteens—may also be pruned. But, said Lord Citrine this week, the Government recognises the paramount need to affect the generating plant programmes as little as possible; and investment in generation and transmission, which last year accounted for about

£125 million of the £203 million that the industry spent on capital account, will presumably escape the credit squeeze. In its current operations, the Central Electricity Authority is pressing area boards to reduce their hire purchase sales, by refusing extensions of working capital for this purpose (which now stands at about £25 million), by increasing the rate of interest it charges from 6 to 7 per cent, and by stopping “promotional” selling of electrical appliances.

The authority's sweeping plans for new power stations, therefore, appear inviolate. During the six years 1955 to 1960, it intends to increase generating capacity by more than 45 per cent—from about 18½ million kilowatts to about 26,650,000 kW at the end of 1960. Nearly 2 million kW of old plant will be shut down during these years—“because it will no longer be usable or because it must be removed to make way for more efficient plant”—so the gross addition will be about 10½ million kW over the six years. The industry's capital programme from 1953 to 1960, as originally set out, was calculated to cost some £1,450 million; two years of that programme have gone by but the CEA now looks forward one year farther, so the cost of the programme about which it is now talking might be of the order of £1,250 million. That does not include the £300 million that is to be spent upon building the 12 nuclear stations that it is hoped to complete by 1965. Lord Citrine revealed that the Authority is now considering various sites for the earliest of these—on the Severn Estuary and the Essex coast. These regions have been indicated by the particular characteristics that have so far been identified for nuclear electricity stations. They are best put where normal fuels are expensive; near areas of heavy demand; and where they can get even more cooling water than coal-fired power stations of the same output would need.

Thermometer Pickings

THE twelve months that ended in March this year were profitably cold ones for the electricity supply industry. They enabled the British (now Central) Electricity Authority to achieve a surplus of some £18.8 million after, paying £35.6 million in interest, and therefore to salt away £10.5 million to a special reserve to supplement the £54.1 million that it provided for normal depreciation of its fixed assets at historical cost. The industry sold nearly 12 per cent more units than the year before (though its calculations of “effective working days at normal temperatures” would suggest that the “real” rate of growth of demand during the year was only about 6-7 per cent); and for that reason it actually made fuller use of its generating plant than the year before. Its load factor—which compares the amount of power supplied with the actual installed capacity of the generating system—went up, from 43.9 per cent in 1953-54 to 45.2 per cent in 1954-55.

That improvement—a more effective use of its capital equipment—seems, however, to have been exceptional. Since 1951-52, the load factor of the generating system has been declining—along with the decline in “plant shortage.” Barring unusually cold years like last year, it seems likely to continue to decline, as CEA continues to bring in huge

additions to its generating capacity. The increase of more than 60 per cent in capacity that is planned between 1953 and 1960, for example, was expected to be accompanied by an increase of only about 50 per cent in the sales of electricity. The authority would justify this decline in the effective utilisation of its generating equipment by the need to build up a reserve of capacity over and above likely demand, which it considers essential but during the postwar years simply has not possessed. But this decline in the effective use made of highly expensive equipment has to be borne in mind in considering the advances in technical efficiency, and in labour productivity, that the new and bigger stations bring.

Lord Citrine mentioned that he would be discussing with area boards this month the possibility of financing a greater amount of the industry's investment from internal resources than before, and did not conceal that this intention implied higher prices for power. During the current year, however, he thought the industry "will find it impossible to provide" this increased amount. The area boards immediately recover about half of the increased cost of a rise in coal prices, because many industrial consumers have coal clauses in their contracts, but the increases they made this summer in tariffs for domestic and commercial consumers have not taken effect until this month. And this summer the temperature has swung against the industry. It would need a very cold winter to give it a surplus in the class of last year.

Australia's New Import Cuts

DETAILS of Australia's long-awaited import cuts, announced this week only a few hours before they became effective today, have produced the inevitable reaction of pained shock among the British industries that are primarily affected. The guess is that they will cut British exports to Australia by £30 million in a full year, equal to 10 per cent. Mr Menzies, outlining the government's policy on Tuesday, showed that the intended reduction in Australia's import bill of £A80 million was designed to bring the Commonwealth's trade account into balance by the middle of next year. Only on that condition could the threat of depreciation of the Australian pound—which the Prime Minister categorically repudiated—be averted. Ancillary measures aimed at reducing the pressure of internal demand include a reduction in capital works programmes, and the promise of a pegged increase and stiffer repayment terms by the hire purchase houses to curb the violent expansion of consumer credit. Hire purchase absorbed £A50 million more to reach a total of £A200 million last year, sucking funds out of the market at increasingly high rates.

Given the limited instrumentalities in credit control that lie in the Commonwealth authorities' hands, this further resort to physical controls has to be accepted with resignation. Details of the import cuts show that dollar imports, which were untouched last April, are to be subject to a general reduction of one-eighth. Essential imports in Category A, of which machinery is typical, have since April 1st been restricted to 85 per cent of the 1950-51 base year quotas; these are now to be reduced by one-eighth, with

a list of exceptions which will carry a 7½ per cent cut.

Category B goods, including assembled cars, whisky, piece goods and a wide range of consumers' durables, have been on a 40 per cent quota since April; they will be further reduced by one quarter. Two classes of particular interest to British exporters will suffer a less severe cut of one-eighth—textiles for making-up and completely knocked-down cars. Several leading British car manufacturers have in recent years invested considerable sums in new assembly plants in the Commonwealth and will thus escape the worst blow. But they do not pretend that Australia's cuts (and New Zealand's too, which will reduce next year's import licences by one-third) will be palatable. On the bulk of the industry's exports to Australia—cars, assembled and unassembled, and unassembled commercial chassis—the cuts in a full year might amount to roughly £4 million out of, say, £24 million. These two markets together have been absorbing a quarter of the industry's overseas sales; competition in other markets, Europe and North America in particular, has become increasingly tough; costs are rising and would rise faster still if output declined even fractionally or new capacity could not be fully employed as it comes in; and at home there is the well-advertised threat (which may or may not come to pass) of an increase in purchase tax as part of Mr Butler's further measures.

Lancashire and the Potteries have joined in the chorus of regret about these latest cuts. The note of regret was not absent, indeed, from Mr Menzies' speech on Tuesday, when he conceded in almost apologetic tones that his policies "would normally appear to be restrictive." He looked for the stimulation of export income to avoid a chronic condition of unbalance in the Australian economy. Meanwhile the economic effects of Australia's attempts to do so much in so short a time are raising still further its internal costs—and these are already too high.

Mixed Progress in Cotton Futures

THIS week the Liverpool Cotton Exchange resumed futures trading in Egyptian cotton for the first time since 1941, and simultaneously the Alexandria market, after being closed for three years, resumed trading in a similar long staple contract and in a medium staple contract also. It was not to be expected that an active market in Egyptian cotton could be quickly established; but as it happened trading was perfunctory, prices nominal and much below

"Motor Business"

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parity with Alexandria. The main reason is that it has been impossible to establish a trading link between the two markets. The commissions and margins to be paid in Alexandria, and remittances from there, have still not been settled; and at the last minute the Egyptian authorities announced that Egyptian nationals would not be allowed to take up cotton against a maturing futures contract in Liverpool. The confusion will no doubt be cleared up soon.

It is typical of the trials of those who are valiantly trying to re-establish the Liverpool market that they should be obliged, while taking one hesitant step forward in Egyptian cotton, to take a step backward elsewhere. Business in the American contract, which has long languished under the uncertainties of American policy, has received a further set-back from the announcement of the grade and staple of cotton that the American administration will offer at "competitive" prices from January 1st. This special disposal of 1 million bales—out of a stock of 8 million—is all that came out of the protracted wrangle over surplus disposal this summer. But, as traders here had feared, the cotton to be offered will include grades and staples that are tenderable against both the existing 15/16th inch staple contract, and against the new 1-inch staple contract. It remains to be seen what bids the American authorities will regard as "competitive," but traders are not inclined to be conservative. In consequence, the price of March/April and more distant futures has fallen to a still larger discount, and is at present even below the price of comparable months in the New York market, disregarding the cost of shipment to Liverpool.

Egyptian Exchange Adjustments

THE reopening of the Alexandria futures market and the resumption of straddling operations in cotton between Alexandria and Liverpool have involved further adjustment in the Egyptian foreign exchange arrangements, which have been full of hideous intricacies. The spring cleaning has involved:

1. The abolition of the "dollar entitlement" scheme.
2. The suspension of cotton exports under "B" accounts.
3. The provision of facilities for dealing in forward sterling.

The "sterling entitlement" scheme which allowed Egyptian exporters to sell a proportion of their sterling earnings at a premium, thus raising the cost of sterling imports into Egypt, acting as a measure of discrimination against British trade, was abandoned at the beginning of September as part of the Anglo-Egyptian financial agreement. The "Deutschmark entitlement" scheme was also dropped at that time. The "dollar entitlement" scheme was, however, left intact.

That dollar scheme was dropped on Tuesday to facilitate the reopening of futures trading in Egyptian cotton. Had the reopening of futures trading in Egyptian cotton. Had the "entitlement dollars" continued to be available at a premium, they could have been converted into transferable sterling and there would have been a double set of cotton futures prices, one based on official sterling and the other on the unofficial "entitlement dollar" rate. The suspension of cotton exports under "B" accounts the same day was made for the same reason. These accounts are credited with Egyptian pounds paid out for certain imports into

Egypt and held for the credit of the central banks of Switzerland, Belgium and the Netherlands. "B" account Egyptian pounds have been offered in continental markets, mainly Zurich, at discounts roughly corresponding to the premiums on entitlement sterling and dollars. They could thus have been used by the three countries in question to buy Egyptian cotton at discount.

The resumption of futures trading in Egyptian cotton should create a demand for forward exchange facilities in Egyptian pounds. If the demand arises from Liverpool or elsewhere facilities will be available. The National Bank of Egypt is prepared to deal in forward exchange on a basis of 2 per cent per annum either side of the spot rate, though there is not yet agreement on the commission that the commercial banks will charge for such transactions.

Building Societies' New Front

WITH the announcement of the Abbey National Building Society's 5½ per cent mortgage charge to existing borrowers the adjustment to tighter money by the building societies seems almost complete. The normal in the new set-up may be taken as the rates now fixed by the Abbey National and the Woolwich Equitable societies—5½ per cent charged to both old and new borrowers and 3 per cent net paid on shares. There is a deviation at the cheap end to 5 per cent to be charged and 2½ per cent paid by the Halifax and at the dearer end to 3 per cent paid on shares and 5½ per cent charged to old borrowers, but 5½ per cent charged to new borrowers by the Co-operative Building Society and a few others. There is thus no uniformity even among the big societies, but the rates are not out of line with the new charge of 5½ per cent that the local authorities will be obliged to make for mortgages. Nor are they uncommercial in the sense of failing to make both ends meet with a reasonable margin for reserves. Most building societies consider that allowing for the increased tax burden on a higher interest rate the 2½ per cent margin between 3 per cent paid and 5½ per cent charged leaves about as much elbow room as the 2 per cent margin (between 2½ per cent paid and 4½ per cent charged) that existed before rates moved up.

Aggregate figures for the inflow of money since the societies increased their rates are not yet available, but individually the societies express themselves well pleased. A rush of money into the societies followed the increase in the interest paid on shares. The Co-operative for example experienced a record inflow of money in August and expects September to have beaten that record. There is also at present an undiminished demand for mortgages at the higher rate. Some societies, but not all, can now supply all the customers they wish to accept. That may explain why the Co-operative society (which in any event wished to curtail lending until it had restored its liquidity ratio) can charge 5½ per cent on new mortgages while others charge less; its funds are still—though not so drastically—on ration. It would be natural to expect that if the inflow of money remains high lending rates may become more competitive between society and society towards the end of the year, but that depends on the way money rates move in the next few months.

Brazil's Exchange Reform

CONFUSION still exists in Britain about the working of the joint payments arrangements between Brazil on one side and Britain, Germany and the Netherlands on the other. The old system of bilateral trade and payments agreements has been replaced by a multilateral one. Buyers from Brazil in all three countries can now enter the free market for Germany's "clearing dollars" (old cruzeiro balances), and take equal advantage of the discount below the official rate—which has now, however, all but disappeared. Furthermore purchases by Brazil from the sterling area, Germany and the Netherlands are being financed from a single pool of sterling, deutschemarks and guilders, sold at the regular Brazilian auctions of import exchange in one unit. The size of the Brazilian market open to exporters in the three currency areas accordingly fluctuates not with Brazil's holdings of a single currency but with its holdings of the three currencies together, which tend to be more stable.

A handicap to British exporters, who suffered from Brazil's acute shortage of available sterling, is thus removed. That shortage was due in part to the inadequacy of Brazil's sterling earnings, intensified by the diversion of exports to Britain through Germany, whose importers could sell the cruzeiros in the free market. It arose also from Brazil's commitment to repay at least £6 million a year from the arrears of commercial debts incurred in 1952 and earlier, and from Brazil's determination to allot up to £15 million a year for purchases of sterling oil.

Under the multilateral arrangements, Brazil will continue to pay £6 million a year off the commercial debt, though the escalator clause providing for a higher payment in years in which Brazil's sterling earnings exceeded £35 million (which has never happened) has had to be revoked. At the same time, it has been decided to abolish the ceiling on imports of sterling oil—which, like all other commodities, is now paid for from the pool of three currencies. If Brazil now spends more on oil, it will not automatically be forced to cut down other sterling purchases—only purchases from the three "Hague Club" countries together. The new arrangements unquestionably work in Britain's favour, and it is good news that the task of extending these liberal arrangements to other European currencies has begun. Belgium has opened preliminary negotiations with Brazil on the ending of the existing bilateral arrangements. In conjunction with the news that Brazil is about to make its belated reform of its export exchange rates, these arrangements offer the hope that Anglo-Brazilian trade may at last be lifted from the morass into which it had sunk in the past three years.

Remittances from Pakistan

FOR the investor in sterling tea companies and other sterling ventures in Pakistan Sir Percival Griffiths has this week brought moderately good news on his return from the mission he undertook immediately after the Pakistan rupee was devalued on July 31st from its unrealistic level of 2s. 2d. to 1s. 6d. He was specifically concerned

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with two problems that arose from devaluation: Would remittances from Pakistan to this country in future be more easily and quickly made? And would the tea companies, whose liquid assets in Pakistan had lost value in terms of sterling following the devaluation of the rupee, rank for a rebate of Pakistan's tax? In 1949, when Pakistan did not follow the devaluation of the pound, a tax claim was made on the appreciation of these assets.

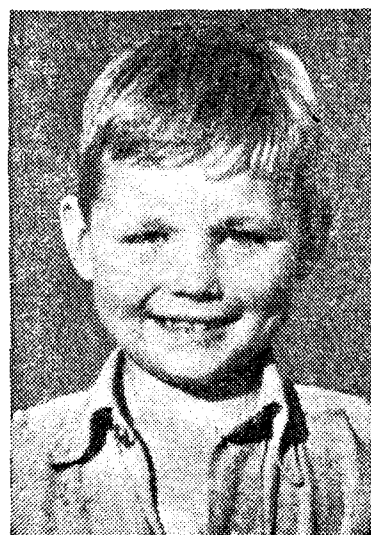
Sir Percival returns without an answer to the second question. It is for the courts to decide whether any tax rebate would be due to the companies, and it is relevant that some of the tax claims filed in 1949 are still *sub judice*. An early answer can hardly be expected. The answer to the first question is, however, reassuring. Arrears of remittances from the tea companies' 1953 profits have already been permitted. There is an understanding that remittances from the 1954 profits will be allowed without delay as accounts are presented. And it remains for company managements to decide how much of their year's profits they will remit, though they must not try to transfer more than their relevant earnings; "relevant" must mean profits before making any provision against the fall in the sterling value of cash assets in Pakistan, for the tax question is not yet cleared and in any event the Pakistan rupee was devalued in 1955, not in 1954. Companies that have declared dividends subject to remittance will be able to pay them and though they will cost more rupees than were budgeted when they were declared, the 1954 results in general were good enough to stand the exchange difference. Bank advances in this country dating from the disastrous crop year 1952 are being immediately cleared. The short-term outlook for shareholders is thus better.

The further outlook contains the usual uncertainties. Will the Pakistan rupee be indefinitely maintained at parity with the Indian rupee? The black market in Pakistan rupees in India still deals on the basis of about 95 Pakistan rupees to 100 Indian. Before the devaluation of the Pakistan currency the rate was about 80 to 100. The Pakistan rupee has thus gained strength in India but not to parity. It was probably oversold just before devaluation, as currencies about to be devalued nearly always are, but the existence of even a small discount in India at this moment leaves the question of its ultimate strength unanswered.

Petrol Prices Straggle Up

IT took three days for the Esso Petroleum Company to come into line with the penny-a-gallon increase in the price of premium motor spirit announced at the beginning of this week by Shell-Mex and BP; in the meantime Regent, National Benzole and the Vacuum group had joined the file, raising their prices to 4s. 7d. a gallon. Esso was already selling its highest grade, Esso Extra, at 4s. 7d. a gallon and this is now up to 4s. 8d.; it put a halfpenny a gallon on the price of the "mixture" grade between this and its standard grade, but, like the other companies, did not raise the price of its standard grade. This departure from concerted action upon petrol prices—or at least this lag—is unusual, though in other recent changes, for example in fuel oil prices, it has taken some days for Esso to come into line. Shell-Mex and BP, which initiated the increase, put it

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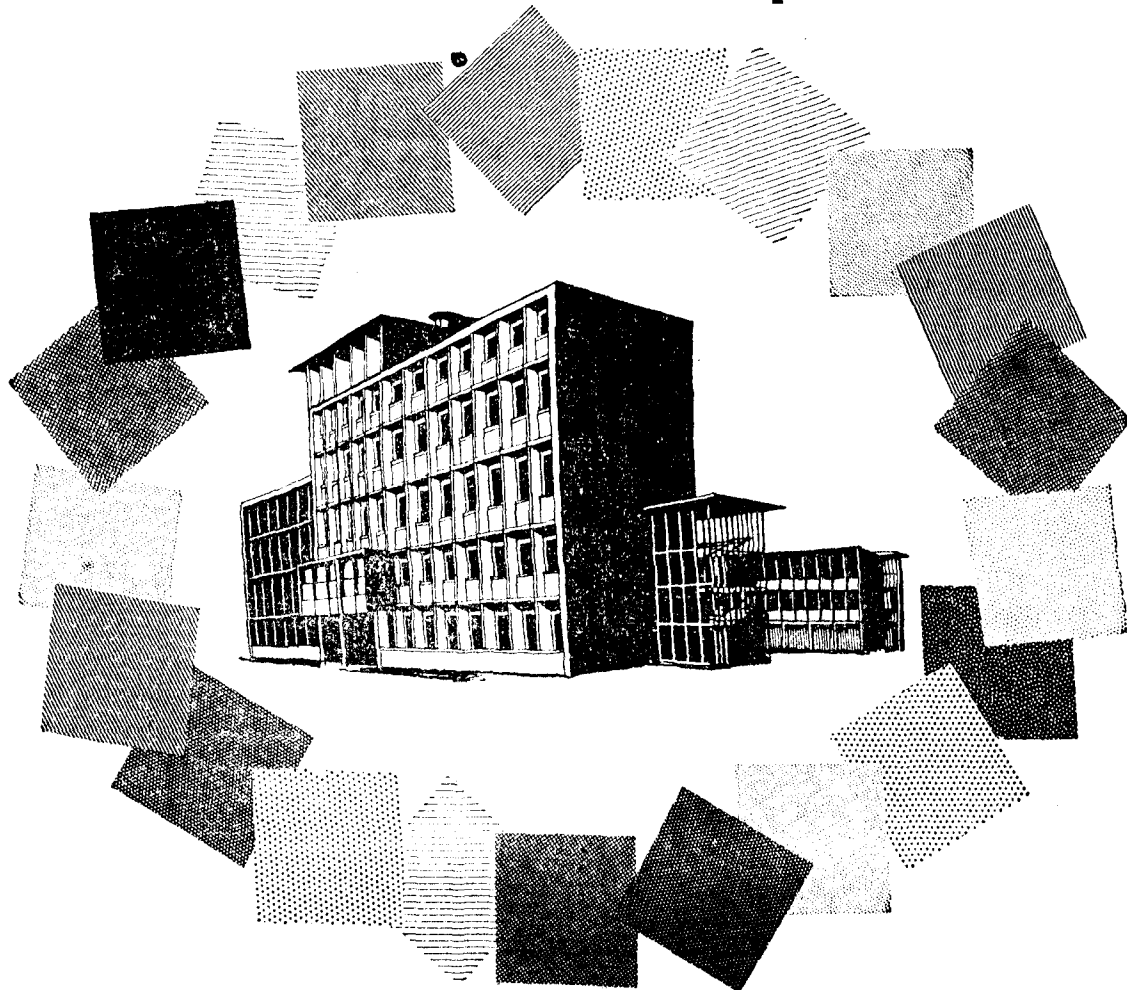
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down to higher costs of distribution in this country which have until now "not been passed on." There has been considerable play made in recent years, it may be noted, with the economies achieved in internal distribution of petroleum products; these have not, apparently, been enough to outstrip rising costs. The increase, fairly logically, has been put on the premium grade gasolines that have continued to sell so much better than the industry ever expected—making the standard grade motor spirits, which have sold correspondingly worse, relatively a little cheaper.

Rayon near Recovery?

THE latest available figures on the output of cotton and rayon give no grounds for optimism, but during the last two or three weeks there has nevertheless been a growing feeling of quickening trade—at least where rayon is concerned. The fall in output continued fairly steadily in July; another 4,500 workers left the cotton industry, and cloth production was about 17 per cent lower than in July, 1954. Rayon production was high in the early months of the year, averaging 40 million pounds a month and more in the spring, but it has slipped sharply since then and by August was down to 35.4 million pounds. This is roughly the same production that was recorded for August last year, but the July totals were substantially lower.

The brunt of the depression in rayon has been borne by rayon staple fibre, while the demand for continuous filament yarn has both remained stronger and recovered earlier. In August, staple production fell further by 2 million pounds to 16.7 million pounds, while output of continuous filament rose by nearly a million pounds to 18.7 million pounds. This is a reversal of the post-war trend that carried the output of staple fibre from 4 to 20 million pounds a month and concentrated much of the expansion of the rayon industry on new staple capacity, until its output exceeded that of continuous filament. The slump in spun rayon reflects the slack trade in clothing early this summer—it is essentially a dress fibre and one for mixing with other textiles—while the steadier demand for filament reflects the growing industrial uses of rayon.

Rayon exports this year have been far from encouraging, but they too have recently shown signs of recovery: the slight increase in the volume shipped abroad in August compared with the previous month has been followed by reports of a greater number of orders booked in September. The steady volume of imports remains a thorn in the industry's side, but it will prick less painfully if the reports of the last week or so—that trade is brisker and orders flowing in again—are pointers to recovery and not the fugitive warmth of an Indian summer.

Aid for Forward Rubber Sales

THE Malayan government has taken a sensible step in revising the system of levying export duty on forward sales of rubber. Hitherto the duty, which is based upon the price of the highest grade of sheet rubber, whatever the grade sold, has been levied on the market price at time of shipment. If the price rose between the date of contract and

date of shipment the seller paid a higher duty, and a lower duty if the price fell. Until recently the producers have been ready to take the rough with the smooth. But for months past prices have been high—currently about 40d. a lb.—and duty, plus the new anti-inflationary cess, have taken a steeply rising toll. Producers have therefore steered clear of the risk involved in a regular forward selling policy of so many tons a month spread over a number of months ahead, which normally would be a useful stabilising influence in the market.

The growers naturally wanted their liability for duty and cess to be fixed when they made their sales. Discussions with the government have now obtained almost that. From October 1st sellers can register contracts for forward sales of rubber of not less than three and not more than twelve equal monthly consignments, provided that the first consignment is not due to be shipped before the first day of the second month after date of registration. When registration has been confirmed the duty will be fixed at the market price—still of the highest grade—ruling at noon on the date of the contract or immediately after registration, whichever is the higher. The working of this scheme is to be reviewed in a few months.

Mate for a Jaguar

SINCE 1952, when it stopped making the 2½ litre car designed before the war, Jaguar has had no medium-sized saloon in its range; it made only very few of its 1½ litre version after the war. This week the company introduced a completely new 2.4 litre (actually 2,483 cc) saloon, in the tradition of the 3½ litre Mark VII saloon but smaller, about 20 per cent cheaper, and presumably much more economical to run. No fuel consumption figures are given, but the new car uses the same engine, with identical bore, but the stroke reduced from 106 mm. to 76.5 mm., and develops only 112 bhp against the Mark VII's 190 bhp, while integral body construction, a new departure for a Jaguar saloon, has brought the weight down to 25 cwt for a full five-seater body (the last 1½ litre Jaguar weighed more than 30 cwt). The car has an original suspension system (at the rear it revives a modified form of cantilever springing) and uses a new servo-assisted Lockheed brake system. Priced at £895 (£1,299 including purchase tax), it invites comparison with, say, the Riley Pathfinder; but it is 5 cwt lighter and may seem to some eyes—since the Riley began to bear traces of body standardisation in BMC—of more distinctive design.

Half Agreement With Bulgaria

THE financial and trade agreement between Britain and Bulgaria provides a basis for trade up to the end of 1957, and detailed arrangements for trade in the next twelve months. It provides also for the payment over a period of years of £400,000—perhaps a quarter of the outstanding total—in settlement (apparently in full) of the claims for expropriated property, peace treaty claims and prewar commercial debts. It makes no provision for Bulgaria's bonded debt, which has been in complete default since the beginning of the war.

Bulgaria's only offer on the bonded debt was the insulting sum of £186,000 payable by instalments over a number of years. It was, on Bulgaria's own showing, 6.7 per cent of the nominal capital in British hands and ignored the gold clauses attached to several of the issues and all the arrears of interest. In fact Bulgaria seeks to reap the reward of its default by redeeming the bonds at the prices to which default has reduced them—a cynical line that unfortunately has had some appeal to Bulgaria's debtors in Switzerland and other European countries. Bondholders risk little by the refusal of the British Government, the Council of Foreign Bondholders or the League Loans Committee, to accept the offer.

SHORTER NOTES

The discount rate of the Reserve Bank of South Africa has been raised from 4 to 4½ per cent, and market rates for short money, bills and Government securities have likewise been increased by ½ per cent. The increase in the South African Bank rate, which has long been expected, represents

the first change since 1952, but money market rates had been raised by ½ per cent in March, following the two increases in the London Bank rate. The margin in favour of London, however, remained wide, and has attracted funds that might otherwise have moved to South Africa. The new rate for three months bills is 3 per cent and for deposits with the National Finance Corporation 2½ per cent. The Reserve Bank intends to enter the gilt-edged market to bring yields on the short stocks from 3 to 3½ per cent and on the long from 4½ to 4¾ per cent.

A four-year unofficial suspension of dealings in the 5s. stock units of Ely Brewery came to an end this week when the chairman, Mr L. Nidditch, withdrew his criticisms of the London jobbers. The stock reopened at 5s. 3d. and rose to 5s. 9d.

The Bowater Paper Corporation announces an interim dividend of 7½ per cent. This is at the same rate as last year, but payable as ranking capital increased to £9,600,000 by the recent one for three rights offer.

Company Notes

JOHANNESBURG CONSOLIDATED INVESTMENT.

With its indirect revenue from uranium and beer, "Johnnies" is no exception to the rule that South African mining finance houses have ceased to be dependent on gold alone. The important Randfontein Estates company, whose 1954 losses on gold were greatly exceeded by other revenue, and whose dividend was steeply raised, must have played a part in the finance company's increased investment income. On the other hand, profits from sales of shares were reduced, and Johnnies has lowered its dividend.

There has been heavy depreciation in the holding of nearly 7½ million shares in

shares that fall, without writing up those that rise, and the market value of its quoted investments last June, at £18½ million, was almost double the balance sheet figure.

In the past, tax had been charged on the footing that shares must in the aggregate be valued at cost or at market value, whichever was lower. Recently the courts have decided that the choice could be applied to individual items of trading stock—in this case, Freddie's Consolidated. The upshot is that tax has been over-provided in the past to the tune of £1.8 million; only small amounts of local taxation are due on 1954-55 profits, and British distributed Profits Tax is offset by double tax relief. The past over-provision, with undistributed earnings for the year, allows the transfer to Investment Reserve to be trebled. But the company's net UK rate, by being reduced to a mere 5d. in the £ (and likely to remain negligible for at least the next two years) underlines the limited attractions of the shares for managers of "tax free" investment funds. The year's earnings, before any tax, amount to 36 (against 41) per cent actual on capital, and at 43s. 3d. the £1 shares yield just 6½ per cent on dividend.

CALICO PRINTERS and WHITWORTH AND MITCHELL. The Australian import cuts will add another wrinkle to the furrowed brows in the cotton trade. That their worries began more than six months ago

is apparent from two company reports issued this week. One, a preliminary statement for the year to June 30th, came from the Calico Printers' Association; the other, a full report covering the same accounting period, was from Whitworth and Mitchell Textorial. The directors of Calico Printers say: "Several subsidiary and associated companies have continued to experience difficult trading conditions. Profits of the merchandising business in conjunction with the Association's spinning and weaving mills have suffered an appreciable decline during the year. Commission printing turnover has been about the same level, on the average, as in 1953/54. Royalties from 'Terylene' and other patents show little alteration in total from the preceding year." The wording of that note suggests that the difficulties, particularly in overseas markets, were increasing as the year wore on.

The Association's consolidated profit before tax and depreciation has fallen from £2.2 million to just over £2 million. That figure does not include the £666,948 written back from tax provisions no longer required. The directors have nevertheless left the ordinary dividend unchanged at 15 per cent, a decision which many investors expected. That dividend absorbs £173,426 from the parent company's net profit after tax of £241,369 (against £274,587), a figure which is struck after providing £343,512 (against £319,545) for current trading losses of subsidiary and associated companies and £153,604 paid to subsidiary companies in respect of previous years' losses.

The full report of Whitworth and Mitchell Textorial tells a much gloomier story. The ordinary dividend has been passed and after charging depreciation a loss of £4,313 has to be set against the 1953/54 profit of £145,893. After tax-

	Years to June 30,	
	1954	1955
Earnings:—		
Investment income ..	1,274,893	1,461,857
Profit from sales ..	690,930	326,416
Total profits ..	2,331,337	2,104,314
Taxation ..	536,909	46,425
Net profit ..	1,623,831	1,881,836
Dividends (net) ..	506,916	454,250
Dividend (per cent.) ..	17½	15
Retained profits ..	1,116,918	1,427,586
Tax over-provided ..	30,000	1,800,000
To Investment Reserve ..	1,100,000	3,470,314
Balance sheet:—		
Investments ..	14,153,910	10,854,813
Loans ..	1,027,844	383,296
Current assets (other than investments) ..	3,561,388	3,886,312
Net current assets ..	1,313,109	3,061,719
Reserves and share premiums ..	9,263,349	7,552,817
Share capital ..	5,266,666	5,266,666

Freddie's Consolidated Mines, and this is responsible for major changes in the holding company's tax affairs. Like many investment trusts, Johnnies writes down

tion and other charges the net loss is £30,709, against a net profit of £71,822, so that in effect the preference dividend has been paid out of the £37,040 written back from general reserve. The surplus carried forward has been reduced from £15,420 to £188. The chairman's comment is brief, perhaps, too brief: "Trading conditions during the year have been difficult, particularly in overseas markets, and in consequence turnover for the year, both in quantity and value, showed an appreciable reduction in comparison with the previous year."

BEECHAM GROUP. In his review circulated with the full accounts of the Beecham Group for the year to March 31st the chairman, Lord Dovercourt, reminded stockholders that "a substantial increase in retentions is an essential feature of the board's plans for financing the group's future development." With, perhaps, a weary sigh stockholders may have construed this to mean conservative dividends. If so Lord Dovercourt's additional remarks at the meeting will have seemed refreshing. He said: "I am confident that in future years we shall reap a rich harvest in increased profits from all the hard work at present being undertaken all over the world. Your directors share the optimism of the whole executive in the company's future, and are confident that, subject to the financial position of the country, we can contemplate further increases in dividend in due course."

The two statements are not contradictory. The tree must be nurtured before it bears fruit. Some of that fruit will come from across the Atlantic for Lord Dovercourt is sure that the major development effort made in the United States in the last three years will result in a "large and profitable business." The administrative machinery and the capital structure of the Beecham Group have both recently been tidied up and the current

rights issue of ordinary stock should take care of all foreseeable cash requirements. The way for an ultimate increase in dividends is open and Lord Dovercourt's remarks do not, of course, diminish in any way the attractions of the rights issue.

QUALCAST. No comment accompanies the preliminary results for the year ended last June, but in such a competitive business as making lawn mowers an 11 per cent rise in trading profits is a gift horse into whose mouth it would be ungrateful to look. The 1953/54 record has been surpassed—and 1953/54 was a period when the rate of increase in turnover was greater than the rise in profit, for the company's policy is to keep selling prices low.

In the latest year, group trading profit has risen from £870,651 to £967,722, and from £688,185 to £771,314 after depreciation and other expenses. In spite of one or two minor setbacks, the general trend of profits since the war has been upwards, and the company was in consequence a sufferer from EPL. Helped by the removal of that tax, which required £36,000 in 1953/54, net equity earnings for the year 1954/55 are £359,009 against £266,048, equal to nearly 50 (against 38½) per cent on the present capital, after allowing for Profits Tax on a full distribution, though before crediting £12,000 tax over-provided. The dividend for the year of 24 per cent compares with the equivalent of 20 per cent.

A forthcoming free scrip issue of 1 for 10 will be the fifth capitalisation of reserves in six years. In that period, there have already been two capitalisation issues of 100 per cent, one of 5 per cent, and one of 50 per cent. The market is unlikely to expect the percentage rate of dividend to be scaled down, and at a cum bonus price of 23s. 9d., assuming the 24 per cent distribution is maintained on the increased capital, the yield on the 5s. shares is £5 1s. per cent.

LONDON STOCK EXCHANGE

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

The buying of gilt-edged securities gathered pace this week with emphasis on the earlier maturities. National War Bonds 2½ per cent 1954/56 rose to 98 ½ and Funding 2½ per cent 1956/61 gained 1 to 90½. Of the medium-dated stocks Savings 2½ per cent 1964/67 and Savings 3 per cent 1960/70 improved ¾ and ½ respectively to 80½ xd and 81½. Long-dated stocks showed smaller gains and undated stocks remained firm but scarcely changed.

The heavy selling on Wall Street caused by the President's illness touched off a moderate increase in selling pressure on Monday. Marked bargains rose to 10.413 and industrials thinly supported last week declined sharply. Securities owing much of their recent strength to American support were marked down severely. On Tuesday Borax deferred had fallen to 138s. and International Nickel to \$145½. A firmer trend on Wall Street assisted a recovery to 142s. and \$146½ respectively on Wednesday.

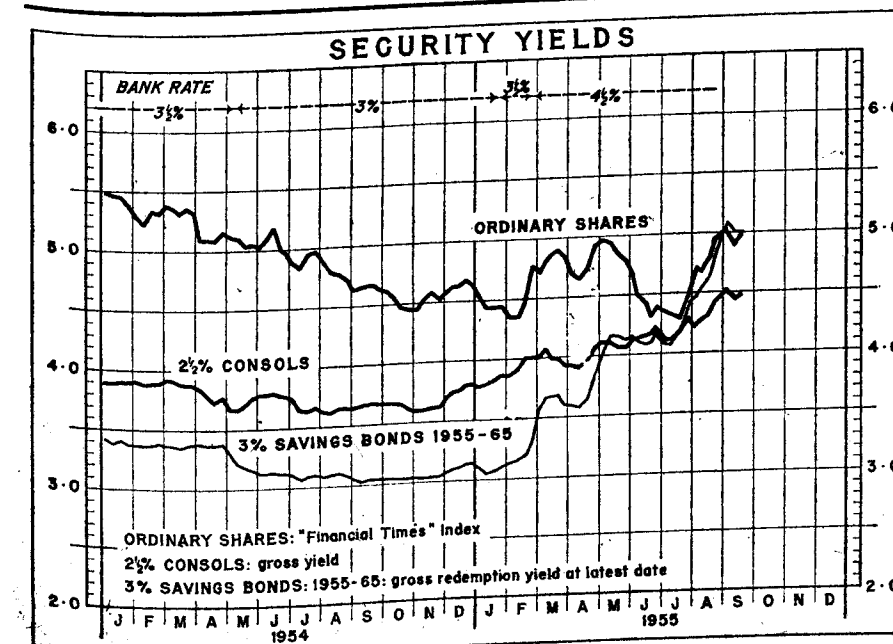
The effect of the £11 million rights issue by English Electric was to lower the price of the old to 60s. 7½d. from 69s. 6d. at the close of the last account before a recovery brought them up to 63s. 3d. The premium on the new fell to 1s. before recovering to 3s. 6d. Motor shares were uncertain on the import cuts by Australia and New Zealand; Ford also suffered the loss of some American support and declined 2s. to 46s. 7½d. Brighter prospects for freight rates produced renewed firmness in tramp shipping shares; Rearden Smith rose to 36s. 6d. Coppers fluctuated with the Board of Trade's further offer of metal and the temporary weakness in the commodity, but the major producers rallied strongly on Wednesday, Rhokana recovering to 44.

Excess shares in Marston Valley Brick not taken up by shareholders were placed privately. The new opened at par and fell to 4½d. discount. Excess shares in Gallaher were oversubscribed.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Sept. 21...	195.2	99.06	4.50	4.98
" 22...	195.3	99.10	4.49	4.98
" 23...	194.5	99.17	4.48	5.00
" 26...	191.5	99.19	4.47	5.08
" 27...	191.0	99.61	4.47	5.09
" 28...	191.6	99.72	4.45	5.08
1955, High.	223.9	115.97	Total bargains 1955	
" Low.	175.7	98.23		
1954, High.	184.0	118.10	Sept. 21	8,200
" Low.	131.1	111.78	" 22	7,972
	(Jan. 1)	(Jan. 5)	" 23	7,595
			" 26	10,413
			" 27	9,804
			" 28	8,870

* July 1, 1935=100. † 1923=100.



LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Sept. 28		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Sept. 21, 1955	Price, Sept. 28, 1955	Net Yield, Sept. 28, 1955 %	Gross Yield, Sept. 28, 1955 %	Prices 1955 Jan. 1 to Sept. 28		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Sept. 21, 1955	Price, Sept. 28, 1955	Yield, Sept. 28, 1955 %
High	Low							High	Low						
100 1/2	96 1/2	Funding 2 1/2% '52-57	97 1/2	97 1/2	2 17 7	4 5 6 1	46/6	35/9	10 1/2	10 1/2	STEEL & ENGINEERING		40/-	39/-	4 9 9 1/2
100 1/2	97 1/2	War Bonds 2 1/2% '54-56	98 1/2	98 1/2	2 18 11	4 3 5 1	13/10 1/2	10/-	10 1/2	10 1/2	4 a B.S.A. £1		12/-	11/9*	5 19 2
100 1/2	93 1/2	War Loan 3% '55-59	93 1/2	94 1/2	3 3 4	4 9 4 1	39/3	27/-	10 1/2	10 1/2	3 a Cammell Laird 5/-		32/3	31/9	5 13 5 1/2
100 1/2	99 1/2	Serial Funding 3% 1955	99 1/2	99 1/2	3 10 10	4 2 10	36/7 1/2	23/-	10 1/2	10 1/2	3 a Colvilles £1		32/3	32/-	5 0 0
100 1/2	96 1/2	Serial Funding 2 1/2% 1957	96 1/2	96 1/2	2 17 8	4 0 10	54/-	31/2	10 1/2	10 1/2	8 c Dorman Long £1		47/3	43/3	4 12 6 1/2
99 1/2	91 1/2	Conv. 2% 1958-59	91 1/2	92 1/2	3 10 0	4 8 11 1/2	79/9	42/-	12 1/2	12 1/2	5 a Guest Keen N'fold £1		68/6	68/-	3 13 6 1/2
97 1/2	89 1/2	Exchequer 2% 1960	89 1/2	90 1/2	3 10 9	4 9 4	47/-	27/6	6 1/2	6 1/2	5 a Stewarts & Lloyds £1		39/-	38/3	5 4 7 1/2
104 1/2	92 1/2	Exchequer 3% 1960	92 1/2	94 1/2	3 1 5	4 8 3	50/-	28/6	6 1/2	6 1/2	4 a Summers (John) £1		42/3	42/3	4 14 8
100 1/2	83 1/2	Savings Bonds 3% '55-65	84 1/2	85 1/2	3 6 10	4 15 0 1/2	47/10 1/2	35/9	6 1/2	6 1/2	4 a United Steel £1		37/6*	37/6*	4 10 8
100 1/2	86 1/2	Funding 2 1/2% '56-61	88 1/2	90 1/2	3 7 5	4 9 8	30/4 1/2	20/9	6 1/2	6 1/2	2 1/2 a Vickers £1		21/9	21/-	9 3 11
97 1/2	78 1/2	Funding 3% '59-69	79 1/2	81 1/2	3 8 0	4 16 6 1/2	25/9	25/-	3 1/2	3 1/2	4 a Bradford Dyers £1		27/-	26/6	7 10 11
103 1/2	90 1/2	Funding 4% '60-90	91 1/2	93 1/2	4 12 10	6 7 5 1/2	29/6	23/-	2 1/2	2 1/2	7 b Brit. Celanese £1		24/6	24/-	7 5 10
96 1/2	77 1/2	Savings Bonds 3% '60-70	79 1/2	81 1/2	3 6 5	4 15 5 1/2	55/3	35/-	4 1/2	4 1/2	6 1/2 b Coats (J. & P.) £1		45/6	44/3	4 10 5
102 1/2	87 1/2	Exchequer 3% '62-63	88 1/2	90 1/2	3 3 7	4 11 11 1/2	34/1/2	24/9	7 1/2	7 1/2	6 b Courtaulds £1		25/9	25/3	9 18 0
99 1/2	82 1/2	Exchequer 2% '63-64	84 1/2	86 1/2	3 6 1	4 10 5 1/2	36/0 1/2	28/9	2 1/2	2 1/2	5 a Lancs. Cotton £1		31/3	31/9	7 17 6
95 1/2	77 1/2	Savings Bonds 2 1/2% '64-67	79 1/2	80 1/2	3 10 0	4 13 10 1/2	22/11 1/2	17/4 1/2	3 1/2	3 1/2	10 b Patons & Baldwins £1		21/-	20/6	4 17 7
94 1/2	75 1/2	Savings Bonds 3% '65-75	77 1/2	78 1/2	3 4 0	4 13 11 1/2	15/9 1/2	9/10 1/2	8 1/2	8 1/2	4 a British Motor 5/-		11/-	10/6	5 19 1
105 1/2	91 1/2	Victory 4% '20-76	92 1/2	95 1/2	2 16 10	4 12 5 1/2	27/10 1/2	21/3	7 1/2	7 1/2	Nil c De Havilland £1		24/-	23/-	Nil
98 1/2	78 1/2	Funding 3% '66-68	81 1/2	82 1/2	3 8 2	4 17 2 1/2	60/-	37/-	5 1/2	5 1/2	10 b Ford Motor £1		49/-	46/3	3 4 10 1/2
103 1/2	83 1/2	Conv. 3 1/2% 1969	85 1/2	86 1/2	3 5 1	4 17 9	70/9	43/1 1/2	7 1/2	7 1/2	5 a Hawker Siddeley £1		54/6	52/6	4 15 3
98 1/2	80 1/2	Treas. 3 1/2% '71-80	81 1/2	82 1/2	3 1 1	4 15 6 1/2	52/9	33/6	25 c	25 c	30 c Leyland Motors £1		42/6	42/6	4 14 1 1/2
99 1/2	80 1/2	Treas. 3 1/2% '79-81	80 1/2	82 1/2	3 0 6	4 14 7 1/2	133/1/2	71/3	5 a	5 a	12 1/2 b Rolls Royce £1		111/3	111/3	3 2 11
88 1/2	68 1/2	Redemption 3% '86-96	70 1/2	70 1/2	2 19 1	4 11 7 1/2	12/3 1/2	6/10 1/2	12 c	12 c	12 c Standard Motor 5/-		10/6	10/6	5 14 3
95 1/2	78 1/2	Funding 3 1/2% 1999-2004	79 1/2	80 1/2	2 15 3	4 10 11 1/2	21/7 1/2	12/6	17 1/2	17 1/2	3 a Boots Pure Drug 5/-		18/6	17/9	3 17 5 1/2
97 1/2	82 1/2	Consols 4% aft. Feb. '57	83 1/2	84 1/2	2 14 10	4 15 8 1/2	47/6	35/9	7 1/2	7 1/2	20 b Debenhams 10/-		41/9	40/9	6 15 0
88 1/2	74 1/2	War L'n. 3 1/2% aft. Dec. '52	75 1/2	76 1/2	2 13 5	4 13 5 1/2	62/6	42/3	15 a	15 a	45 b Gt. Universal 5/-		47/6	46/-	6 10 5
89 1/2	72 1/2	Conv. 3 1/2% aft. April '61	74 1/2	74 1/2	2 13 10	4 13 8 1/2	92/3	76/-	15 a	15 a	17 1/2 b Lyons (J.) 'A' £1		95/-	92/6	4 17 3
78 1/2	63 1/2	Treas. 3% aft. April '66	64 1/2	65 1/2	2 12 8	4 11 7 1/2	58/6	55/3	36 1/2	36 1/2	30 b Marks & Spen. 'A' 5/-		67/6	67/-	3 7 2
66 1/2	54 1/2	Consols 2 1/2%	55 1/2	56 1/2	2 11 4	4 9 3 1/2	139/-	68/6	5 a	5 a	20 a Woolworth 5/-		58/6	58/9	4 5 14
66 1/2	54 1/2	Treas. 2 1/2% aft. April '75	54 1/2	55 1/2	2 11 11	4 10 3 1/2	50/7 1/2	75/-	7 1/2	7 1/2	14 b British Petroleum £1		116/3	114/4 1/2	2 12 5 1/2
99 1/2	94 1/2	Br. Elec. 4 1/2% '67-69	97 1/2	98 1/2	2 14 8	4 13 2 1/2	109/9	44/6	12 c	12 c	13 1/2 b Burmah £1		76/3	75/-	2 14 8 1/2
94 1/2	75 1/2	Br. Elec. 3 1/2% '68-73	77 1/2	79 1/2	3 5 11	4 15 2 1/2	158/9	26/9	15 1/2	15 1/2	10 b Royal Dutch 100 fl.		£62	£60	2 10 3
93 1/2	75 1/2	Br. Elec. 3 1/2% '74-77	76 1/2	77 1/2	3 3 6	4 13 5 1/2	44/6	26/9	13 b	13 b	10 1/2 b Shell Reg. £1		135/7 1/2	131/10 1/2	3 19 2
109 1/2	90 1/2	Br. Elec. 4 1/2% '74-79	90 1/2	91 1/2	2 18 7	4 16 9 1/2	37/3	25/6	5 a	5 a	5 1/2 a Trinidad L'holds 5/-		40/9	39/-	4 11 3
98 1/2	80 1/2	Br. Elec. 3 1/2% '76-79	81 1/2	83 1/2	3 1 0	4 15 7 1/2	45/-	45/-	12 c	12 c	7 b Cunard £1		27/6	27/-	7 8 2 1/2
105 1/2	88 1/2	Br. Gas 4 1/2% '69-72	89 1/2	90 1/2	3 0 7	4 17 2 1/2	47/-	47/-	13 b	13 b	14 a Furness Withy £1		47/-	47/-	5 19 2
102 1/2	82 1/2	Br. Gas 3 1/2% '69-71	84 1/2	85 1/2	3 4 0	4 16 11 1/2	33/-	31/6	13 b	13 b	3 a P. & O. Def. £1		33/-	31/6	5 1 7 1/2
88 1/2	71 1/2	Br. Gas 3 1/2% '90-95	72 1/2	72 1/2	2 17 11	4 9 8 1/2	82/6*	81/3*	14 c	14 c	5 a Assoc. Elect. £1		107/6	102/6	3 8 11
94 1/2	76 1/2	Br. Trans. 3 1/2% '68-73	77 1/2	79 1/2	3 5 11	4 15 2 1/2	107/6	102/6	5 a	5 a	15 b Assoc. Port. Cem. £1		99/4 1/2	98/9	3 12 11 1/2
105 1/2	87 1/2	Br. Trans. 4 1/2% '72-77	88 1/2	89 1/2	2 19 4	4 16 7 1/2	56/3	44/1 1/2	15 b	15 b	7 1/2 b B.I.C.C. £1		46/-	45/-	4 8 11
88 1/2	70 1/2	Br. Trans. 3 1/2% '78-88	72 1/2	73 1/2	3 0 6	4 12 5 1/2	51/10 1/2	47/10 1/2	15 c	15 c	4 a Brit. Aluminium £1		52/6	51/3	4 13 7

(e) To earliest date. (f) Flat yield. (h) To latest date. * Ex dividend.
† Assumed average life approx. 12 years. § Less tax at 8s. 6d. in £.

Prices, 1955 Jan. 1 to Sept. 28		Prices 1955 Jan. 1 to Sept. 28		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Sept. 21, 1955	Price, Sept. 28, 1955	Yield, Sept. 28, 1955 %
High	Low	High	Low					
97 1/2	90 1/2	94 1/2	79	Aust. 3 1/2% '65-69	80 1/2	80 1/2	5 5 3 1/2	33/4 1/2
101 1/2	97 1/2	101 1/2	87	Ceylon 4% '73-75	88 1/2	89 1/2	4 16 11 1/2	87/3
106 1/2	98 1/2	103 1/2	87 1/2	N. Zealand 4% '76-78	88 1/2	88 1/2	4 17 0 1/2	51/3
79 1/2	71 1/2	75 1/2	61	L.C.C. 3% aft. 1920	64 1/2	64 1/2	4 12 6 1/2	61/6
99 1/2	95 1/2	99 1/2	83	Liverpool 3% '54-64	84 1/2	84 1/2	5 1 0 1/2	57/9
87 1/2	80 1/2	84 1/2	65	M. Wtr. 'B' 3% '34-2003	67 1/2	67 1/2	4 14 0 1/2	157 1/2
104 1/2	100 1/2	102 1/2	94 1/2	Agric. Mort. 5% '59-89	96 1/2	96 1/2	5 4 4 1/2	105 1/2
109 1/2	107 1/2	122 1/2	91	German 7%	111 1/2	111 1/2	...	38/6
168 1/2	102 1/2	213 1/2	149	German 5 1/2%	197 1/2	198 1/2	...	81/3
171 1/2	132 1/2	211 1/2	160	Japan 5% 1907	207 1/2	207 1/2	...	109/6
198 1/2	167 1/2	254 1/2	190	Japan 5 1/2% Conv. 1930	247 1/2	246 1/2	...	17 1/2

Prices, 1955 Jan. 1 to Sept. 28		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Sept. 21, 1955	Price, Sept. 28, 1955	Yield, Sept. 28, 1955
High	Low							
58 1/2	45 10 1/2	7 1/2	6 a	BANKS & DISCOUNT				
76 1/2	57 1/6	15 c	5 a	Barclays £1	47/6	46/6	5 3 3	143/3
89 3/4	75 1/2	18 c	6 a	Lloyds 'A' £5, 1 pd.	59/-	58/-	5 3 3	126/3
87 1/2	67 1/2	18 c	9 a	Midland £1, fully pd.	75/-	75/6	4 15 4	70/9
96 10 1/2	76 1/2	8 1/2	9 a	N. Prov. 'B' £5, 1 pd.	69/6	67/6	5 6 8	51/7 1/2
69 1/2	44 1/2	8 1/2	8 a	Westmstr 'B' £4, 1 pd.	79/6	77/6	5 3 3	10 1/2
58 1/2	45 1/2	7 1/2	3 1/2	Alexanders £1	46/6	45/6	5 9 11	20 1/2
60 1/2	47 3/4	12 1/2	5 a	Nat. Disc. 'B' £1	47/6	47/-	5 2 2	10 1/2
40 10 1/2	32 1/2	4 b	6 1/2	Union Disc. £1	48/-	47/6	5 5 3	10 1/2
51 1/2	40/6	7 1/2	4 a	Barc. (D.C.O.) £1	34/-	34/-	3 18 1 1/2	10 1/2
			7 1/2	Chart. Bk. of India £1	41/6*	41/-*	7 6 4	10 1/2
				INSURANCE				
21 1/2	14 1/2	50 a	110 b	Leg. & Gen. £1 5/- pd.	18 1/2	19	2 2 1	Balt. & Ohio...
28 1/2	20 1/2	45 1/2	20 1/2	Pearl £1, fully pd.	23 1/2	23 1/2	4 16 2	Can. Pac.
55 1/2	41 1/2	112 1/2	117 1/2	Prudential 'A' £1	45 1/2	45 1/2	4 9 10	N.Y. Cent.
				BREWERIES ETC.				Pennsyl.
141/-	116/6	33 b	10 a	Bass £1	118/9	117/6	7 6 4	Amer. Tel.
34/9	22/-	10 a	10 1/2	Distillers 6/8	24/9	24/6	4 9 10 1/2	Stand. Gas
49/6	40/-	15 b	8 a	Guinness 10/0	41/3	41/3	5 11 2	United Corp.
93/9	68/-	1 a	14 b	Whitbread 'A' Ord. £1	71/3	71/3	5 17 11	W. Union Tel.

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
1953	184	114	121	127	251	193	142	161	144	142	111	149
1954	210	124	129	139	282	236	145	176	158	151	115	...
1955, February	228	130	134	152	301	235	140	174	149	181	125	...
March	234	129	136	156	311	250	...	196	176	173	126	...
April	233	134	133	153	318	240	...	185	166	143	132	...
May	232	...	134	156	330	255	...	196	166	151	128	...
June	...	...	132	158	332	255	...	...	180	165	128	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
VALUE OF EXTERNAL TRADE⁽²⁾												
IMPORTS (c. i. l.)												
1938	50	1,922	135	3.84	505	1.2	3.45	0.94	118	99	174	12.5
1953	1,060	10,094	573	121.52	1,334	592.6	15.28	124.75	738	543	680	124.3
1954	1,416	10,624	669	126.84	1,611	823.1	14.99	125.05	891	606	766	111.6
1955, February	1,644	10,881	686	139.52	1,819	791.5	17.52	129.66	895	674	803	105.1
March	2,077	12,678	682	139.89	1,996	886.7	20.86	142.12	1,030	730	926	142.9
April	1,798	11,134	678	149.44	2,020	887.2	16.98	137.53	961	605	891	130.7
May	1,760	11,811	623	139.81	1,913	1,119.0	17.00	146.80	921	655	835	117.3
June	1,841	...	653	146.94	1,947	1,190.0	15.19	...	...	683	810	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	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
1953	1,099	9,414	508	117.24	1,542	282.1	9.50	77.50	672	303	638	92.4
1954	1,321	9,597	546	126.03	1,837	376.0	9.59	85.24	755	347	685	78.2
1955, February	1,286	10,685	528	138.53	1,908	376.5	8.81	83.66	777	385	655	99.6
March	1,462	12,121	582	136.72	2,221	290.6	10.63	90.15	842	423	584	75.6
April	1,400	11,084	520	153.89	2,013	237.2	8.63	93.56	766	376	662	51.6
May	1,473	10,174	585	137.30	2,165	247.0	8.10	94.00	751	333	744	58.9
June	1,519	...	632	139.96	2,013	207.0	7.51	...	...	368	774	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	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	34	20	0.4
1953	7	680	65	4.28	208	310.5	5.78	47.25	66	240	42	31.9
1954	95	1,027	123	0.81	226	447.1	5.40	39.81	136	259	81	33.4
1955, February	358	1,96	158	0.99	89	415.0	8.71	46.00	118	289	148	5.5
March	615	557	100	3.17	225	596.1	10.23	51.97	188	307	342	67.3
April	398	50	158	4.45	7	650.0	8.35	43.97	195	229	229	79.1
May	287	1,637	38	2.51	252	872.0	8.90	52.80	170	322	91	58.4
June	322	...	21	6.98	66	983.0	7.68	...	...	315	36	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
VOLUME OF EXTERNAL TRADE⁽³⁾ (1948 = 100)												
IMPORTS												
1938	266	93	118	...	249	...	79	88	118	100	94	91
1953	207	116	169	119	271	...	111	175	156	141	118	217
1954	288	128	205	129	341	...	108	180	196	161	134	215
1955, February	344	124	205	149	386	...	121	178	191	175	149	179
March	444	147	...	149	412	...	144	199	223	187	...	277
April	371	127	...	161	414	...	116	193	207	161	...	...
May	371	...	...	149	392	...	117	210	196	175	...	...
June	395	...	...	153	392	...	104	...	...	172	...	...
EXPORTS												
1938	147	110	139	...	530	...	136	119	156	123	111	107
1953	270	145	208	209	783	...	188	150	292	144	145	182
1954	330	158	224	243	970	...	192	163	344	166	158	172
1955, February	320	162	240	279	1,005	...	170	164	359	172	146	179
March	361	187	...	275	1,157	...	205	172	378	198	...	...
April	335	167	...	300	1,061	...	167	174	350	171	...	...
May	354	149	...	269	1,131	...	154	174	349	150	...	...
June	365	...	...	271	1,048	...	143	...	...	169	...	...

(¹) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (²) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxembourg. Italy includes Trieste. (³) New drachmas introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (⁴) Thousand million drachmas. (⁵) Average for first quarter.

EXCHEQUER RETURNS

For the week ended September 24th there was an "above-line" surplus (after allowing for Sinking Funds) of £5,450,000 compared with a deficit of £22,276,000 in the previous week and a deficit of £22,276,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £9,707,000, bringing the total cumulative deficit to £507,265,000 (£394,412,000 in 1954-55).

£'000	Estimate, 1955-56	April 1, 1954 to Sept. 25, 1954	April 1, 1955 to Sept. 24, 1955	Week ended Sept. 25, 1954	Week ended Sept. 24, 1955
Ord. Revenue					
Income Tax	1877,400	454,751	458,277	16,181	14,611
Sur-tax	136,000	31,400	28,400	1,100	900
Death Duties	185,000	89,400	89,300	3,100	3,600
Stamps	74,000	33,400	35,900	1,400	1,300
Profits Tax & E.P.T.	180,000	81,800	88,700	4,900	5,000
Excess Profits Levy	25,000	44,000	12,900	1,600	200
Special Contribution	1,000	680	250	50	...
Inland Revenue	...	...	...	...	...
Total Inland Rev.	2478,400	735,431	713,727	28,331	25,611
Customs	1131,700	539,249	548,551	20,651	23,148
Excise	796,050	350,705	384,615	6,250	5,770
Total Customs and Excise	1927,750	889,954	933,166	26,901	28,918
Motor Duties	80,000	14,761	17,323	...	...
PO (Net Receipts)	...	2,700	150	Dr.	Dr.
Broadcast Licences	25,000	5,750	7,200	...	6,950
Sundry Loans	24,000	19,652	22,572	...	...
Miscellaneous	175,000	66,713	52,475	4,932	16,878
Total	4710,150	1735,021	1746,613	53,514	64,677
Ord. Expenditure					
Debt Interest	600,000	270,181	299,086	2,507	4,921
Payments to N. Ire.	...	...	...	...	...
Land Exchequer	53,000	22,647	23,926	2,022	...
Other Cons. Fund.	10,000	4,369	5,431	...	238
Supply Services	3862,875	1618,653	1601,619	71,030	53,800
Total	4525,875	1915,850	1930,061	75,558	58,958
Sinking Funds	...	36,000	17,716	17,001	232
"Above-line" Surplus or Deficit	198,545	200,449	22,276	5,450	5,450
"Below-line" Net Expenditure	195,867	306,816	7,053	9,707	9,707
Total Surplus or Deficit	394,412	507,265	29,329	4,257	4,257
Net Receipts from:					
Tax Reserve Certificates	184,756	51,470	2,571	1,316	...
Savings Certificates	5,500	12,600	200	600	...
Defence Bonds	7,562	5,557	690	2291	...

FLOATING DEBT

	Treasury Bills	Ways and Means Advances	Total Floating Debt
Date	Tender	Tap	Public Depts. Bank of England
1954	3,320.0	1,578.0	306.2
1955	3,220.0	1,974.9	311.5
June 25	5,190.0	...	309.3
July 9	3,230.0	2,017.8	295.0
July 23	3,270.0	2,019.6	288.1
Aug. 6	3,280.0	2,049.0	265.5
Aug. 13	3,300.0	1,999.1	272.1
Aug. 20	3,310.0	1,969.5	298.3
Aug. 27	3,320.0	2,027.8	257.8
Sept. 3	3,350.0	2,008.7	249.7
Sept. 10	3,380.0	1,998.5	265.0
Sept. 17	3,420.0	2,023.3	249.9
Sept. 24	3,450.0	2,036.2	251.0
Sept. 31	3,480.0	2,000.0	263.4

Financial Statistics

THE MONEY MARKET

LOMBARD STREET has enjoyed a brief respite from the credit stringency. The Bank accordingly made some sales of bills "in reverse." This unfamiliar ease was attributable in part to official disbursements and in part to the market's small take-up of bills on the first two days of the week, owing to the possibility that their maturity may be postponed by one day if Tuesday, December 27th is declared a Bank Holiday. Monday's bills were sold at 92-day maturities, the market bidding at £98 19s. 6d. per cent and securing a full allotment; on the remaining bills it bid again at £98 19s. 8d. per cent, and was allotted 66 per cent of its bid. Its average allotment came out at about 69 per cent, against the unusually large one of 80 per cent in the previous week. The offer was down by £10 million to £280 million, and applications up by £25 million to £369.7 million.

Credit conditions tightened again in mid-week. The market had to make moderate repayments of seven-day penal loans, and as the Bank gave no special aid one or two houses were "in the Bank" for a small amount. The week's net repayments are reflected in the fall shown in the Bank return in discounts and advances, of £21.1 million, to £11.1 million.

The continued shortfall of silver supplies brought the London price to a new postwar peak, at 79d. an ounce for cash silver and 79½d. an ounce forward.

LONDON MONEY RATES

Bank rate (from 31% 24/2/55)	Discount rates
Bank bills: 60 days	4½
3 months	4½
6 months	4½
9 months	4½
12 months	4½
Deposits (max)	4½
Overnight	2½
1 month	2½
3 months	2½
6 months	2½
9 months	2½
12 months	2½
Money Day-to-day	2½
Short periods	2½
Treas. bills 2 months	4½
3 months	4½
6 months	4½
9 months	4½
12 months	4½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)			
	1954	1955	
	Sept. 29	Sept. 21	Sept. 28
<i>Issue Department* :</i>			
Notes in circulation.....	1,635.4	1,767.4	1,766.4
Notes in banking dept....	40.0	33.0	33.9
Govt. debt and securities..	1,671.2	1,738.3	1,796.2
Other securities.....	0.8	0.7	0.8
Gold coin and bullion.....	0.4	0.4	0.4
Coin other than gold coin..	3.0	3.0	3.0
<i>Banking Department :</i>			
<i>Deposits :</i>			
Public accounts.....	16.4	13.3	14.5
Treasury special account..	6.3	2.6	2.6
Bankers.....	276.1	263.1	239.3
Others.....	69.0	66.0	68.2
Total.....	367.8	345.0	324.6
<i>Securities :</i>			
Government.....	322.7	278.4	278.6
Discounts and advances..	6.5	32.2	11.1
Other.....	15.0	17.4	17.2
Total.....	344.2	328.0	306.9
Banking department reserve.	42.3	35.4	36.4
	%	%	%
"Proportion".....	11.4	10.2	11.1

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:
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The Finest Service
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REPRESENTATION THROUGHOUT
THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

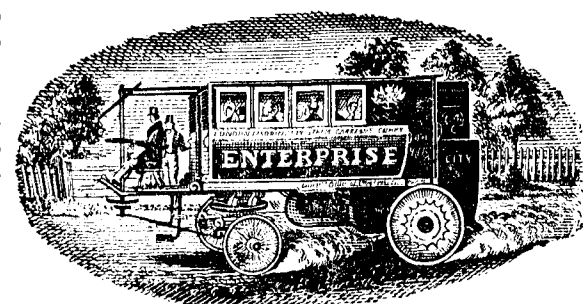
*The Company undertakes the duties of
Executor and Trustee*

HALIFAX BUILDING SOCIETY

ASSETS £252,000,000
LIQUID FUNDS £40,000,000
RESERVES £12,000,000

HEAD OFFICE HALIFAX YORKS
LONDON 51-55 STRAND W.C.2

*Branches and Agencies throughout
the United Kingdom*



THE LONDON OMNIBUS serves the public

Walter Hancock's steam omnibus was first introduced to a waiting public in 1833 and was named, appropriately, the "Enterprise". Another public enterprise is now presented by the London Assurance with this selection from their omnibus collection of policies.

HOME FIRES

Fires are quite all right in their proper place. When they break out elsewhere, within the house or outbuildings, they can quickly run through the property. Though nothing can put back what has been lost, our Fire Policy can make good your losses.

EDUCATION BILL

Schooling is a singularly costly business; plurally, it is even more so. The man who takes out an Education Policy with the London Assurance as soon as a child is born gets full marks for prudence and foresight.

ALL SPORTS

It has been written:

No game was ever yet worth a rap
For a rational man to play
Into which no accident, no mishap
Could possibly find its way.

But you need never be the loser if your person and paraphernalia are insured by our Sportsman's Policy.

THAT'S WHAT WE'RE HERE FOR

If you would know more about any of the policies outlined here, if we can provide any information about any particular policies or about insurance problems generally—pray make what use of us you wish. Our address is 1, King William Street, Dept. Y6, London, E.C.4.



THE LONDON ASSURANCE

"Very good people to deal with"

Perhaps you didn't know that WENGEN



one of the gems of the Bernese Oberland, is not only a world famous Summer resort but also one of the most popular Wintersport Centres in Switzerland.

*But everybody
knows*

how convenient it is to be able to negotiate one's Travellers' Cheques and Travellers' Letters of Credit at the Wengen Branch of the Union Bank of Switzerland.

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	2,248,312,797

Cable Address for all Offices and Branches:
BANKUNION

COMPANY MEETINGS

UNITED DAIRIES LIMITED

A SATISFACTORY YEAR'S TRADING

ENCOURAGING EXPANSION OF GROUP'S ACTIVITIES

NO HALT TO RISING COSTS

TOTAL PRODUCTION AND SALES OF MILK MAINTAINED

MR LEONARD MAGGS'S STATEMENT

The fortieth annual general meeting of the members of United Dairies Limited was held on September 23rd at The Connaught Rooms, Great Queen Street, London, W.C., Mr Leonard Maggs (Chairman and Manager Director) presiding.

The Secretary (Mr Ernest Evanson, ASAA) read the notice convening the meeting and the report of the auditors.

The following is the Statement by the Chairman to the Members which had been circulated with the report and accounts for the year ended March 31, 1955, and was taken as read:

I am pleased to be able to report to you that we have had a satisfactory year's trading, with encouraging expansion in most of the activities of our group.

The acquisition of The Cheshire Sterilised Milk Company Limited, with its subsidiary companies, to which I referred in my remarks to you last year, has, as was expected, made a useful contribution to the earnings of the group.

FINANCIAL POSITION OF THE GROUP

You will get a clear picture of the financial position of the group as a whole from the detailed consolidated statements published, but I feel I should draw your attention to the following.

In the Profit and Loss Account you will notice £300,000 has been set aside as provision in respect to an investment in a subsidiary company. This refers to our Australian company, and I will give you later in this report some information that will, I think, convince you of the prudence of this provision.

SETTLEMENT WITH MINISTRY OF FOOD

You will also see from the note on the Profit and Loss Account that there is an amount of £248,160 relating to prior years brought into the trading profits of the group. In the main this amount arises as a result of settlement having been reached with the Ministry of Food, for two years during the period of control, in connection with a scheme which was designed to adjust according to throughput the manufacturing costs used in arriving at government buying prices for milk products.

Until settlement was reached it was impossible to assess with any degree of accuracy the amounts of the group's participation and contribution, but it was felt prudent to make some provision, in the accounts of the years affected, against the group's liabilities.

As a result of our decision some ten years ago to adopt a straight line basis of depreciation at the rate of 10 per cent per annum of prime cost the plant and machinery

installed during the year ended March, 1946, have been written off; that is to say the total sum provided in depreciation equals the cost. For purposes of income tax, however, wear and tear allowances being computed on a diminishing value, these items have yet to earn their full rebates.

RESERVES

The following are the reserves of the group at March 31, 1955:

The share premium account	£ 41,706
Capital reserves:	
General reserve	354,548
Profits, less losses, on realisations of:	
Properties	213,566
Investments in subsidiary companies	99,582
Revenue reserves:	
General reserve	3,500,000
Insurance fund	100,000
Depreciation not required on properties sold, etc.	108,807
Future income tax	1,754,243
Profit and loss appropriation Account	4,157,772
	£10,330,224

The total of the reserves at March 31, 1954, was £9,787,373.

COSTS AND PROFITS

There is still no sign of a halt to rising costs, there having been increases during the year under review in wages, fuel and transport costs, which constitute the main items of expense of milk distribution and manufacture.

The dispersal of the population from urban areas, particularly from London, makes it impossible to maintain the quantity of milk served on individual rounds. On account of this, coupled with increasing costs, rounds are proving less remunerative, and we are driven to seek profits from other lines, such as orange drink: this was introduced on our retail rounds in June and has proved popular. We are also selling a milk chocolate drink, under the name of "Lactachoc."

Since I reported to you last year, the Ministry of Food's final buying prices for milk products have been agreed up to September 30, 1952, but settlement of the amounts due to and from the Ministry for that year has not yet been completed and is therefore not dealt with in the accounts under review.

The Ministry of Food has paid only "on account" prices for all products bought by them between October 1, 1952, and the date when they ceased to buy all manufacture except National Dried Milk, namely March 31, 1954, in the case of products other than butter and cheese, and September 30,

1954, in the case of butter and cheese. Proposals have now been received from the ministry for final prices for all products for the eighteen months to March 31, 1954: these are under consideration by the trade, and it is expected that settlement will be reached in time for an adjustment to be brought into the current year's accounts, which adjustment, over-all, will mean an addition to the profit.

MARKETING

From the time milk became controlled up to March 31, 1954, the Milk Marketing Board sold the milk from farms to the Government for re-sale to the trade, but after that date this practice ceased and the Milk Marketing Board began to sell direct to the trade. Before control farmers sold their milk to the purchasers on contracts prescribed by the Milk Marketing Board, but with the changes brought about during the war the Board now actually buys the milk from farmers and sells it to the trade at the first point of delivery. The milk producer has therefore lost the freedom to choose his buyer, but this is a necessary step to preserve rational collection of milk from farms.

The maximum prices of milk for liquid consumption and the margins of the trade continue to be controlled by the Government, while the Milk Marketing Board takes care of the marketing of milk for making into products.

The Board has entered into arrangements with the distributors and manufacturers for a Joint Committee to negotiate questions which may arise between the two sides of the industry, with recourse to a consultant on matters unresolved.

FULL RANGE OF PACKED PRODUCTS

The Government returned the marketing of milk products to the trade at a time when government stocks were heavy. However, co-operation between the various interests has enabled the changeover to take place with little friction.

We are now offering a full range of packed products under our brands of "Lacta," "Diploma" and "Moonraker." The products are sweetened condensed milk, evaporated milk, tinned cream, cheese spread, processed cheese, tinned rice puddings, blended butter and English butter: the latter is sold in our London shops under the brand of "Superity."

With the co-operation of the Milk Marketing Board we have also been able to revive some of the export trade in condensed milk.

MILK SUPPLIES

The total production and sales of milk during the year ended March 31, 1955, were nearly the same as during the year ended

March, 1954, but the summer production was higher and the winter production lower. As a result, the quantity of milk manufactured into products was much lower this winter, and our Cheddar cheese factories, which had been very busy during the summer, were nearly idle, thus adding substantially to the cost of making. It is not always realised that these fluctuations in quantity, inevitable as they are at times, result in comparatively high expenses.

YEAST

I have to report that our interests in the distribution of yeast have been disposed of to The United Yeast Company Limited.

It had been obvious for some time that the high cost of transport and distribution rendered the maintenance of two national distribution services uneconomic, and we were glad to make this arrangement.

The Standard Yeast Company Limited is still producing yeast at Harwich for distribution by The United Yeast Company Limited on agreed terms; we hope that this scheme will prove mutually beneficial.

TRANSPORT AND ENGINEERING COMPANIES

Last year I mentioned that U.D. Engineering Company Limited had secured a very substantial contract from the USSR for bottle washing and filling plant and crating and decrating machinery. The first year's contract has been completed, and our subsidiary company is busily engaged on the execution of the second one, which it is expected will be completed at about the turn of the year.

The large order for a special type of refrigerating plant for HM Government, which I also mentioned, has now been completed.

The demand for our engineering products from the dairy and other industries, both at home and overseas, continues to be at a high level, and to meet it further extensions to our manufacturing facilities at Park Royal have recently been completed.

CONTINUED EXPANSION OF DAIRY SUPPLY COMPANY

For The Dairy Supply Company Limited the year has been one of continued expansion. Their volume of sales has increased considerably, and the entry of this company into the field of specialised machinery and equipment for creameries and larger dairies, to which I referred last year, has met with success in both the home and export markets.

To meet the continued high level of sales an extension to manufacturing facilities has become necessary in the case of this company also, and has just been completed.

Mickleover Transport Limited, in addition to carrying out work for all subsidiary companies, has been entrusted by both commercial and government undertakings with a number of important development projects, and has again received large orders for vehicle bodies of all kinds.

Last year I mentioned that this company was giving particular attention to research into new materials and methods. One of these lines of research has now come to fruition in the production of fibreglass components for vehicles. Additional manufacturing space has had to be provided to meet the demand for this new material, which appears to have an important future.

In addition to these activities, the road haulage undertakings which this company operates have been meeting an increasing demand for their services.

OVERSEAS INTERESTS

Australia: It is with regret that I have to report the death on March 30th last of the Chairman of our Australian company, Mr H. E. Handbury, in whose business we took a majority interest when we made our investment in Australia.

In common with other UK concerns which in recent years have interested themselves in Australia, we are faced with difficult conditions. We made our investment primarily to produce condensed milk and milk powders for export, and at a time when milk in Australia was as cheap as, or cheaper than, anywhere in the world. As a result of the inflation which has taken place there, milk products (with the exception of butter and cheese, which are at present subsidised) produced in Australia have been priced out of all export markets: consequently there is a scramble for what market there is for these products in Australia itself, where to some degree selling prices have followed rising costs.

It is difficult to assess when we are likely to get a worthwhile return from our investment in Australia, as it is impossible to forecast when inflation will be halted. In the circumstances, and on account of our new factory out there having been erected during a period of very high costs for building and equipment, I feel it will be readily agreed that our decision to set aside this year £300,000 as a provision against this investment is a wise one.

New Zealand: The expansion to increase production to which I referred last year is now nearing completion. Our subsidiary company there has again earned a satisfactory profit.

During the year under review one of our manager directors, Mr H. W. Clements, visited our interests in Australia and New Zealand.

DIRECTORATE

The recommendation of the election to the Board of Mr E. Capstick, at present a Director of United Dairies (London) Limited, continues our policy of electing to the Board those of proved ability and who, we are confident, will add to our strength. Prior to joining the Company in September, 1946, Mr Capstick was for seven years at the Ministry of Food as Deputy Director of the Milk Products Division, and previous to that held the Chair of Dairying at Reading University. Whilst with the Company he has been Controller of Laboratories and in charge of our Inspection Department and Public Relations.

TRIBUTE TO THE STAFF

On behalf of the Board—and I am sure I may include the members—I should like to express thanks to the officers and staff of the company for their diligent, devoted and valuable service during the past year. I should like to pay a tribute to all who enabled the company to carry on, with only minor troubles, during the difficult days of the railway strike at the end of May and the beginning of June: it was, I think, a very praiseworthy achievement.

The report and accounts were unanimously adopted and a final dividend on the ordinary stock at the rate of 10 per cent actual, less tax, making 15 per cent for the year, was approved.

Mr E. Capstick was appointed a director of the company and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell & Company, having been fixed, the proceedings terminated with a vote of thanks to the Chairman.

Gestetner
LIMITED

TOTTENHAM, LONDON, N.17.

The Company manufactures the world-famous "Gestetner" Duplicating Machine and accessories. It has branches throughout the United Kingdom and subsidiary companies or representatives in all parts of the British Commonwealth, in the Americas, the Far East, and many countries in Europe. Extensive servicing facilities are available throughout the organisation.

Extracts from the Chairman's Statement are appended:—

"Your Company has always taken pride in its ever-expanding export trade. Once again your Company's exports increased, even though demand in certain countries remained unsatisfied due to import restrictions. More Gestetner duplicators were installed throughout the world than ever before.

"Shipments to hard currency areas, including the United States, were again a record.

"Your Company is now reaping the benefit of the continuous programme of extension and modernisation of manufacturing processes. This programme has made possible the partial absorption of the considerable increases in labour costs over recent years. During the year it became necessary to advance prices in order that the latest wage increases could be met without impairing our programme of research and development and the replacement of existing capital equipment.

"Estimated commitments to date for further capital expenditure by the Group amount to £415,000. To finance the expansion of capital assets, consent of H.M. Treasury has been given for the issue of £500,000 4½ per cent. Debenture Stock 1975/80. The Stock has been placed privately at 96½ per cent; subscription will be spread over the current year, as and when the money will be needed. The Debenture constitutes a floating charge and allowance has been made for any further finance which may be necessitated by expansion of the business.

"Development of our products has continued throughout the year. Photocopy, the exclusive Gestetner feature which I mentioned last year, continues to open fresh fields for the application of the duplicating process. The packaging and presentation of our entire range of supplies and accessories have been restyled by a leading designer and have been favourably received by our customers.

"Almost 500 people have been in Gestetner organisations throughout the world for over 25 years. They are symbolic of the loyalty and team spirit of which we are so proud. We face the future with confidence."

Copies of the Accounts and Chairman's Statement may be obtained from the Secretary, Gestetner Works, Tottenham, London, N.17.

BRITISH MATCH CORPORATION

IMPROVED PROFITS FROM ABROAD

BRAZILIAN EXCHANGE LOSSES

INCREASING COMPETITION AT HOME

INTERESTS OTHER THAN MATCHES

The twenty-eighth Annual General Meeting of British Match Corporation Limited was held on September 28th at 66a Fenchurch Street, London. The Chairman, Lord Kindersley, presided. Extracts from his statement are given below:

ACCOUNTS

The Trading Profit of the Group, at £2,423,004, as shown in the Consolidated Accounts is higher by £176,154. This improvement was attributable to the Corporation's very substantial interests outside the United Kingdom Match Industry. The Corporation's Net Profit, as shown in the Profit and Loss Account, amounted to £327,926 as against £324,840 last year.

The Directors recommend payment of a final dividend of 5½ per cent less tax on the Ordinary Stock, making a total for the year of 9 per cent less tax.

The fall in the value of the Brazilian cruzeiro continued during the year and resulted in a further reduction in the sterling profits from your Brazilian Investment.

HOME TRADE

Sales of matches from your UK factories were slightly below those of the previous year. This was due to the increased competition from imported matches, largely from countries behind the Iron Curtain.

I would like once more to point out that for every 2d. box sold over the counter, more than 1d. is paid over to the Government in duty alone, and I think we can claim, without fear of contradiction, that we have kept faith with the public and that we still market our well-known brands at prices which are cheap in relation to those for other necessities of life.

At the end of June an official report on the subject of Collective Discrimination was published, and you will like to know that the British Match Industry does not engage in any of the practices therein described.

OPERATING COMPANIES

No doubt Stockholders are aware that the Corporation's largest investment is in Bryant & May Limited, of which it holds all the Ordinary Stock. The dividends we have received from that Company have always been the Corporation's principal source of income. Bryant & May has a stake in other industries and I would add that it will be our policy in the future to continue the expansion into other industries which can conveniently be combined with our main business of making and selling matches.

The Report and Accounts were unanimously adopted and formal business was transacted.

In his statement Lord Kindersley said that this year, for the first time, the Chairman of Bryant & May Limited had issued a written statement. A copy was enclosed with the Corporation's Report, and a précis of it follows.

PRÉCIS OF STATEMENT BY SIR ANTHONY ELKINS, CHAIRMAN OF BRYANT & MAY LIMITED

ACCOUNTS

The Trading Profit was down as compared with the preceding year. Apart from the effect of competition to which reference is made later, we are faced, as are other manufacturing companies, with continually rising costs. Fortunately, the reduction in the Trading Profit was more than counterbalanced by the increased revenue we derived from our various investments, both home and overseas. The net result was that, after charging taxation, the profit for the year was £396,000, as compared with £387,000.

HOME TRADE

Sales of Swan Vestas reached a new high record, but the turnover of our No. 1 Matches (the 2d. box) has fallen, due to intense competition from abroad, especially from Russian matches, which are being delivered to British ports at prices slightly less than we have to pay for materials alone. In October 1954 we had to close the long-established factory of W. J. Morgan & Company Limited and some loss of employment was unfortunately inevitable.

OVERSEAS COMPANIES

Our match interests overseas have, for many years, contributed an extremely important share of our income, and I am glad to say that they continue to do so. It is virtually impossible to export matches profitably from this country and therefore we derive satisfaction from the contributions we receive from factories in other countries. Steady dividends from Canada are particularly helpful and greatly in the national interest.

We have a large stake in the Match Industry, not only of Canada, but also of Australia, New Zealand, South Africa, Trinidad and South America.

INTERESTS OTHER THAN MATCHES

In all developed countries the consumption of matches naturally tends to become somewhat static and subject to competition from other allied devices. Your Directors have been and still are on the lookout for investment opportunities in other industries which will conveniently integrate with our main business.

Amongst our investments outside matches are Glue and Gelatine, Tin Boxes, Stamping Foils, Steel Wool, Bengal Lights and Sparklers, and Printing. Of these Printing is the largest, through our 50 per cent shareholding in Chambon Limited of Hamersmith, manufacturers of specialised printing machinery, who themselves have varied interests connected in some way with printing.

EMPLOYEE RELATIONS

Bryant & May were pioneers in co-partnership and their co-partners now hold almost £300,000 of Partnership Stock. They instituted a Staff Pension Fund in 1914 and have recently introduced a scheme for other employees. Bryant & May is a member of one of the first Joint Industrial Councils and is proud of the fact that there has been no industrial dispute in the Match Industry for more than 35 years. The policy of the Company has been to pay good wages and ensure good conditions for all who work in it.

Copies of the Chairmen's Statements, in full, may be obtained from the Secretary, British Match Corporation Limited, 66a Fenchurch Street, E.C.3.

HACKBRIDGE CABLE HOLDINGS

DIVIDEND INCREASE

The seventh annual general meeting of Hackbridge Cable Holdings Limited was held on September 23rd in London, Sir W. Wavell Wakefield, MA, MP (the Chairman), presiding.

The following is an extract from his circulated statement:

The overall results show a substantial improvement over the figures for the previous year in which all units—including the newly acquired subsidiaries—have participated.

Group trading profit was £638,819, and after providing £56,771 for depreciation and £273,646 for taxation, the net profit was £308,402 compared with £211,496 in the previous year. Your Directors feel justified in recommending a final dividend of 17½ per cent, making 25 per cent for the year, against the total of 20 per cent consistently paid since incorporation of the Company.

The very advantageous price at which the Company acquired the Bryce-Siemens unit has resulted in an increase of the Capital Reserves from £3,023 to £207,226.

The Revenue Reserves—apart from the substantial Reserve for Future Taxation—have increased during the year by £34,420, making a total of £315,636.

In conformity with the policy of modernising plant and machinery and in extending productive capacity wherever practicable, a further £74,413 has been expended during the year on projects of a capital nature.

Trading since the end of the year under review has continued to be satisfactory, and it is expected that the results for the current year will again be satisfactory, provided no exceptional unforeseen circumstances arise.

Last year reference was made to our principal manufactures as comprising electric cables, power transformers and capacitors and to the continuing increase in demand, both at home and abroad. Arising out of our acquisition of the Bryce-Siemens unit, there is now added to the Group's activities the increasing demand for a wide range of mechanical and electrical equipment manufactured or marketed by that unit.

Development work towards the further improvement of our facilities for sheathing cables with aluminium by the direct extrusion process as an alternative to lead, continues satisfactorily.

The report was adopted.

WESTERN MINING CORPORATION

VALUE OF GOLD SUBSIDY

The twenty-second annual ordinary general meeting of Western Mining Corporation Limited was held on September 15th in Melbourne.

Mr G. Lindesay Clark, BSc, MME (Chairman and Managing Director) presided and in the course of his speech said:

(All figures are quoted in Australian currency.)

Net profit from the year's operations amounted to £214,567, and was attributable chiefly to dividends received from Central Norseman Gold Corporation NL and Gold Mines of Kalgoorlie (Aust.) Limited. No dividend was received this year from New Coolgardie Gold Mines NL.

At the last Annual Meeting I stated that it was the intention of the Board to make a new share issue, and in October, 1954, the issue was made, members being offered one new share for every three shares held. The shares were offered at 12s. 6d. each; 1s. was payable on acceptance and the first call of 5s. per share was payable in February, 1955. There is an amount of 6s. 6d. per share uncalled on this issue. No decision has yet been reached as to the date of the final call, but it is unlikely to be made before 1956.

Two dividends, Nos. 14 and 15, both of 6d. per share, were paid on August 20, 1954, and February 25, 1955, respectively. Dividend No. 16, which was declared in the current financial year and paid on August 19, 1955, was also at the rate of 6d. per fully paid share; the partly paid new issue shares participated in this dividend at the rate of 3d. per share.

There has been greater activity in the prospecting side of the business for metals other than gold during the year. Extensive areas were examined for uranium, without locating any attractive deposit.

We have secured leases over extensive lithium deposits some 20 miles southwest of Kalgoorlie which some day may be of value. Work on this project is confined to investigation of treatment and possible markets.

There are other prospects under consideration but investigation of these has not yet advanced sufficiently far to reach any decisions.

No areas have been acquired warranting the search for petroleum.

VALUE OF GOLD SUBSIDY

The Chairman reviewed the extensive gold-mining interests and developments, and continued:

I referred in the last Annual Meeting to the decision of the Federal Government to assist the gold-mining industry by means of a subsidy. The Gold Mining Industry Assistance Act, which provides for the payment to producers of a subsidy of up to £2 per fine ounce of gold for a two-year period commencing from July 1, 1954, will be of real benefit to the industry. The subsidy is payable when costs of production exceed £13 10s. per fine ounce of gold and the subsidy payable per ounce is equal to three-quarters of that excess with an upper limit of £2 per ounce. The subsidy is enabling those mines which, at the moment, have small profit margins, to maintain a vigorous development programme without which they would almost certainly be forced to close. Applications for assistance have been made by those mines of the Group eligible for the subsidy.

The report was adopted.

GOLD MINES OF KALGOORLIE (AUST.)

MERGING OF ACQUISITIONS

The fourth annual ordinary general meeting of Gold Mines of Kalgoorlie (Aust.) Limited was held on September 12th in Melbourne.

Mr G. Lindesay Clark, BSc, MME, (the Chairman) presided and, in the course of his speech, said:

(All figures are quoted in Australian currency.)

The mill treated 211,332 tons, of which 199,950 tons came from the GMK leases and yielded 55,603 ounces of fine gold. This is equivalent to an average recovered grade of 5.56 dwts per ton and is 0.23 dwts below the recovered grade for the previous year.

Net profit, £102,922 was £81,343 lower than that earned in the preceding year. As indicated in the Annual Report the difference is accounted for by a fall of £24,824 in total operating revenue (£11,844 of which represents diminished gold premium receipts) and by increases of £43,498 in mining, mostly referable to the Paringa leases, treatment and development redemption costs and £13,021 in administration and interest charges, most of which was incurred on account of the mining companies taken over during the year.

Details of the new issue of 1,869,510 shares offered to members in March, 1955, are set out in the Annual Report. These shares, which were issued at 12s. 6d. each, are now paid up to 6s. (5s. capital and 1s. premium). The final call of 6s. 6d. per share (5s. capital and 1s. 6d. premium) will, on current expectations, be payable in November, 1955.

Dividends Nos. 6 and 7, each of 9d. per share, were paid on November 9, 1954, and May 5, 1955, respectively. Dividend No. 8, of 9d. per fully paid share and 4½d. per partly paid share, was declared on September 8, 1955, and will be paid on October 27, 1955.

MERGING OF ACQUISITIONS INTO ECONOMIC UNIT

Particulars of the acquisition, as going concerns, of the properties of Boulder Perseverance Limited, South Kalgorli Consolidated Limited and Kalgoorlie Enterprise Mines Limited, have been set out in the Annual Report. As a consequence of these moves, all the leases of the various properties have been assembled together with those of Gold Mines of Kalgoorlie (Aust.) Limited into a unit of economic size under present conditions.

The combined ore reserves of the Company and its subsidiaries were estimated at March 31, 1955, to be 1,558,000 tons at 5.8 dwts grade.

The enlargement of the treatment plant to treat the full tonnage is making excellent progress. As will be quite obvious, no economies have as yet resulted from the amalgamation.

This Company has made an offer to purchase the undertaking of New Coolgardie Gold Mines for fully paid shares in GMK. The price offered of 28 shares in Gold Mines of Kalgoorlie (Aust.) Limited for each 100 shares issued in New Coolgardie Gold Mines NL, requires the issue of 286,272 fully paid shares in Gold Mines of Kalgoorlie, equivalent to 7.7 per cent of its present issued capital.

The companies purchased during the year will qualify, in greater or less degree, for the Federal subsidy on gold mining until the date of liquidation in May last. In total, including probably a small amount for Gold Mines of Kalgoorlie itself, we expect these payments will amount to about £100,000.

The report was adopted.

LEWIS BERGER & SONS RECORD SALES

The seventy-sixth annual general meeting of Lewis Berger & Sons, Limited, was held on August 12th in London, Mr Thomas Lilley, chairman, presiding.

The following is an extract from his circulated review of the year to March 31, 1955:

There is further improvement in the trading profit, and the increased total of profit before taxation has been supplemented by benefits from the adjustment of taxation charged in previous years. The resulting group profit for the year after deduction for taxation is £474,101, compared with £377,066 in the preceding year.

Increased production at Group factories has supported the higher sales total which constitutes a new record. Factories in five Australian States have contributed substantially to group earnings and have surpassed even last year's record trading results. Group interests in South Africa contribute Trading Profit and Income from Shares in excess of last year.

The Group services all important categories of paint consumers, including the decorator through the merchant, the specifying authority and painting contractor, and the amateur home painter, shipping and transport interests; motor-car and vehicle manufacturers; engineering, electrical, domestic equipment and furnishing trades, and an extensive variety of other industrial users.

The new financial year has opened in a satisfactory manner and no factor yet known prevents a confident view of 1955-56 trading.

The report and accounts were adopted.

OLYMPIC PORTLAND CEMENT

RECORD NET PROFITS

The forty-fourth annual general meeting of this company was held on September 28th in London.

The Honourable Gerald H. G. Williamson, chairman, in the course of his speech, said:

During the year under review the plant at Bellingham produced 834,541 barrels of clinker and 872,355 barrels of finished cement. Clinker produced was approximately 220,000 barrels more than in 1953-54 and was the second largest annual clinker production on record. Cement shipped was the third largest on record at 864,369 barrels and exceeded the previous year by 200,152 barrels.

Manufacturing costs were lower by some 13 cents per barrel of cement sold, despite an increase in the hourly wage rate. These lower costs were undoubtedly due in the main to increased production but 1954-55 was also the first full year in which the five-day week, which I mentioned a year ago, operated in both the raw and finish grinding departments. This practice saved the high wage rates payable over weekends and resulted in lower over-all labour costs. A further factor contributing to lower costs was the fuel oil used in the kiln which showed a decrease of slightly over one cent per barrel.

The net result of all this was that trading profits amounted to £233,139, as against £143,119. Net profits were £89,227, compared with £37,082, and surpass our previous best of £83,461 in 1951-52. There was a distributable balance of £145,697. The interim dividend of 4 per cent took £11,000 and the final dividend of 8½ per cent now proposed will absorb, after tax, a further £24,438. The report was adopted.

LONDON ELECTRICAL AND GENERAL TRUST

HIGHER GROSS INCOME

The twenty-eighth annual general meeting of London Electrical and General Trust Limited was held on September 22nd at 53 Cornhill, London, E.C.3, Captain A. R. S. Nutting, OBE, MC (the chairman), presiding.

The Secretary (Mr I. H. Chatfield, FCIS) 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:

Total gross income for the year to June 30, 1955, amounted to £132,908, an increase of £27,663 over the total for the previous year. This increase was in part due to the receipt of income on the £240,000 raised by an issue of new Ordinary shares last January, and also to larger dividends received on many of our investments both at home and overseas.

The net amount available for reserve and for dividends on the Ordinary stock, after all charges including taxation and after paying the Preference dividends, is £49,589, compared with £32,739 last year. Of the amount available the directors have transferred £12,500 to reserve.

An interim dividend of four per cent was paid in January on the Ordinary capital then in issue and the Board is now recommending a final dividend on the present Ordinary capital of nine per cent. The dividends paid and proposed would absorb £30,120 net; the comparable figure last year was £19,800 net.

TAX RECOVERIES

The amount of tax recoverable under double taxation agreements has been steadily rising mainly because of the progressive increase in our investments in the USA and Canada. Hitherto it has been our practice to bring into account such recoveries of tax, as and when received, without distinguishing between the financial years to which they related. Owing to a change of procedure on the part of the Inland Revenue authorities we are now adopting a more regular basis and accordingly this year we have taken credit for £2,884 as being applicable to the year ended June 30, 1954, and have brought into account a further £4,713 for earlier years. Both these amounts have been agreed with the Inland Revenue and we expect to receive them shortly. It is hoped that henceforward we shall receive each year the major part of the recoveries claimed for the preceding year together with any balance of prior years' recoveries due to us.

Our estimate of revenue for the current year indicates a favourable trend.

THE ECONOMIST, OCTOBER 1, 1955

A table showing the classification and distribution of our investments is appended. It will be seen that the total of our USA and Canadian investments is now 29.0 per cent by value of the total portfolio, compared with 19.8 per cent last year.

CLASSIFICATION OF INVESTMENTS (based on valuation at 30th June)

	1955	1954
	%	%
Bonds and debentures...	3.7	5.5
Preference shares.....	17.4	23.0
Ordinary shares.....	78.9	71.5
	100.0	100.0
	%	%
UK and Commonwealth (excluding Canada)....	67.3	74.0
USA and Canada.....	29.0	19.8
Other.....	3.7	6.2
	100.0	100.0

The report and accounts were adopted and the dividend, as recommended, was approved.

The retiring director, Captain A. R. S. Nutting, OBE, MC, was re-elected and the remuneration of the auditors, Messrs Brown, Fleming and Murray, having been fixed, the proceedings terminated.

SCRIBBANS-KEMP

PERIOD OF CONSOLIDATION

The twenty-eighth annual general meeting of Scribbans-Kemp Limited was held on September 27th in London, Mr H. Oliver-King (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The year to March 31, 1955, was mostly one of consolidation with some success in the reorganisation of the Companies' factories and the establishment of depots for the distribution of the Companies' products. The new selling and distributive organisation is growing apace and is proving effective in handling the Companies' products.

The statement then reviewed the Group's activities in various parts of the country, including the reorganisation of the Barker & Dobson factories at Liverpool, and continued:

The retail side of our interests has had a fair year. The policy of the Company to modernise the whole of the branches is proceeding and some of the newer branches are showing most satisfactory returns.

The trading profit is £1,304,974, which is slightly more than last year. Taxation this year took £663,861 as against £783,191, leaving us with a net figure for the Group of £704,243 as against £521,783.

In the Balance Sheet Fixed Assets have risen from £3,593,238 to £4,103,481 and Current Assets exceed Current Liabilities by £2,653,248.

Such figures as have been presented to me for the current year show that results are being quite well maintained except in one division. The board has every confidence that when its plans come to fruition, shareholders will not be disappointed.

The report was adopted and a total dividend distribution of 12½ per cent was approved.

BRAITHWAITE AND COMPANY, ENGINEERS LIMITED

ANNUAL GENERAL MEETING

The Thirty-fourth Annual General Meeting of Shareholders of Braithwaite and Company, Engineers Limited, was held on September 27th at Dorland House, 14-16 Regent Street, London, S.W.1, Mr J. Harvey Humphries, AssocICE, MISTRICTE, the Chairman, presiding.

The net profit of the Group, including gross dividend from Braithwaite and Co. (India), Limited, and before charging taxation is £149,242 against £122,248 for the previous year. After charging taxation the consolidated net profit for the year is £60,567.

Resolutions were unanimously passed for the adoption of the Report and Accounts, the confirmation of the preference dividend already paid in respect of the year ended March 31, 1955, and the payment of a final dividend of 11 per cent, less tax, making a total of 16 per cent, less tax, on the Ordinary shares.

The retiring director, Mr S. J. Harper, was re-elected.

The directors were authorised to agree the remuneration of the auditors, Messrs Whitehill, Marsh, Jackson and Company, and the proceedings terminated with votes of thanks to the chairman, staff and workpeople.

Following the annual general meeting an extraordinary general meeting was held at which resolutions were passed increasing the capital to £750,000 by the creation of 150,000 additional Ordinary shares of £1 each ranking *pari passu* with the existing Ordinary shares and capitalising the sum of £225,000, part of the undivided profits at present standing to the credit of the General Reserve of the company, to be applied in paying up in full at par 225,000 Ordinary shares of £1 each to be allotted to the existing Ordinary shareholders on a one-for-one basis.

A. C. COSSOR

A SUCCESSFUL YEAR'S TRADING

The seventeenth annual general meeting of A. C. Cossor Limited was held on September 22nd in London, The Right Honourable Lord Burghley, KCMG, LLD (chairman) presiding.

The following is an extract from his circulated address:

Our financial year, which ended on March 31, 1955, was a very successful one. This success is reflected in the increased dividend of 15 per cent on the Ordinary Shares.

A substantial increase in the Group's turnover, from £7.3 million to £9.2 million (including £1.6 million of exports from this country), with practically the same profit margin as before, gave us a Group Trading profit of £652,545 (last year £527,419), and a net Group profit, after taxation, of £248,157 (£162,013).

We have decided, on this occasion to distribute to every employee who served throughout the year, and is still in our employ on September 30, 1955, the equivalent of one week's pay.

We well maintained our position in the trade, both in television and radio receivers. Our VHF/FM sets have taken a leading position in this new field. Our new radio-gram, incorporating VHF/FM, set a standard of quality in the lower-priced market which had hitherto only been approached by the most expensive models.

Within the last few weeks, however, the trade has been struck another blow by a further tightening of the hire purchase regulations. Nevertheless, our sales to date have exceeded those for the corresponding period last year, and we hope that the opening of the new commercial television transmission, coupled with the greatly increased programme time from the BBC, will stimulate and maintain the public demand for television receivers.

The report was adopted

THE ECONOMIST, OCTOBER 1, 1955

UNIVERSITY OF OTAGO

DUNEDIN, NEW ZEALAND
Applications are invited for a Lectureship and Assistant Lectureship in History. Salary range: Lecturer, £1,175-£1,600 p.a.; Assistant Lecturer, £679-£736 p.a. Further particulars and information as to the method of application are available from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.
Applications close in New Zealand and London on October 31, 1955.

THE NUHIELD PROVINCIAL HOSPITALS TRUST

Applications are invited for the post of Secretary to the Governing Trustees of the Trust. The appointment is a whole-time one, commencing salary according to qualifications and experience being between £1,500 and £1,750 a year, with superannuation and child allowances.
Applicants should have an informed interest in contemporary developments in health and hospital services. A strong preference will be shown to university graduates, between the ages of 35 and 45, of proved administrative ability in posts carrying wide personal responsibility and demanding imagination.
Applications, giving age and full details of qualifications and experience, with the names of three referees (no testimonials should be submitted), should be sent to Mr L. Farrer-Brown, Nuhield Lodge, Regent's Park, London, N.W.1, by not later than October 14, 1955.

PHARMACEUTICAL MARKETING MANAGER—Marketing Manager required by Genatosan Limited, a member of the Fison Group. Applicants should have had marketing experience in either an advertising agency or in an industry distributing consumer goods, and should preferably be under 35 and have a degree. A fertile mind and a progressive outlook, however, are the prime qualifications required. Conditions of service are excellent, and a salary commensurate with the job and individual will be paid. Write, giving full particulars of age, education and experience, to The Personnel Officer, Genatosan Limited, Loughborough. Please quote Reference PMM.

CENTRAL ELECTRICITY AUTHORITY require an Assistant in the Economics and Statistics Branch, Headquarters, London. Candidates should have a degree in Economics and preferably some experience of industry or commerce. The work will be concerned with general economic intelligence. Salary within Grade 3, N.J.C. £615-£677 per annum inclusive. Applications, stating age, present position and previous experience, to D. McNeil, Director of Establishments, Winsley Street, W.1, by October 19, 1955. Quote Ref. AE/668.

THE SINGAPORE EMPLOYERS' FEDERATION invite applications from experienced men aged 30-40, for the position of Industrial Relations Adviser to the Federation. The duties involve a study of labour conditions, legislation and employer/employee relations within the Colony and to advise the Council of the Federation thereon. No secretarial duties are involved.

The initial tour would be of three years, and the inclusive salary offered is Malaysian \$2,500 p.a. (equivalent to Sterling £3,500 per annum). Leave pay, two months for each completed year of service. First-class sea passages for successful applicant and family up to a maximum of four.

Applications, giving age, experience, whether married or single, should be addressed to The Secretaries, Messrs. Rennie Lowick and Company, P.O. Box 470, Singapore.

MARKET RESEARCH—The world's largest organisation in this field—A. C. Nielsen Company Limited—has vacancies for men to be trained at Oxford for future executive responsibility. The ideal applicant will be between 24 and 27, have a first (or very good second) in mathematics, some knowledge of statistics and be interested in applying his mind to problems of market research and management.

Technical mathematical ability is not, however, essential—though ability to deal with figures is; the successful applicant may have read Greats, P.P.E., Economics or Law, or may be a non-graduate whose background or experience will enable him to assimilate the training in this sphere. Market research experience is not essential but may be advantageous.

Applicants in the above age group or thereabouts should write, with full details of education, qualifications, experience, marital status, etc., to Personnel Manager at 109 St. Aldate's, Oxford.

COST ACCOUNTANT

SIMON-CARVES LIMITED require a qualified Cost Accountant, aged 25-30. It is essential that candidates should have some knowledge of cost accounting and costing procedure in a contracting firm. Initial salary will be not less than £900. The post is permanent and pensionable. Working conditions and scope are good. Apply in writing (quoting Reference AS45), to Staff and Training Division, Simon-Carves Limited, Chichester Heath Stockport.

INVESTMENT RESEARCH DEPARTMENT OF STOCKBROKERS has vacancy for young man wishing to make successful Stock Exchange career. Some relevant experience required. Write Box 222.

RESEARCH OFFICER required in managerial capacity for research organisation dealing with advertisers on consumer and market research. Applicant must be familiar with modern techniques and have had experience of consumer research. He will either with an advertising agency or with recognised research organisation. He will be required to manage the organisation's research department.

The position offers excellent opportunities to a man who is qualified and has initiative. Give full details of past experience, age, present position and salary, to: Box 233.

STATISTICIANS (two) required. Degree in Maths, Stat. or A.I.S. wanted for Operations Research Dept. of Europe's largest plain bearing manufacturer. Work includes design and analysis of experiments, quality control, linear programming, general operations research. If no experience in these fields, training will be given. Internship and willingness to probe into unexplored difficult applications important. Recent Graduate acceptable. Salary £600 per annum. Fully qualified man, with experience, up to £1,000 per annum. Apply Personnel Manager, Glacier Metal Co. Ltd., Ealing Road, Alperston, Middlesex.

LEADING firm of London Chartered Accountants requires qualified men as Senior and Assistant. Salaries in accordance with a Public Company within 30 miles of London. Experience of group organisation accounts, budgeting, costing and taxation. A flair for commerce and a capacity for a ready appreciation of financial matters connected with overseas business are required. Salary from £1,500, but commensurate with the qualifications and experience of the applicant. Reply to Box 221.

CITY CHARTERED ACCOUNTANTS with extensive and varied practice have vacancies for Unqualified Audit Clerks with some years' experience in the profession. Commencing salaries from £500 per annum upwards, commensurate with experience; pension scheme. Write Box 115, c/o Streets, 110 Old Broad Street, E.C.2.

LONDON STOCKBROKERS require fully qualified man to take over management of their Investment Department. Duties include correspondence and company research. Though previous Stock Exchange experience is preferred, a C.A., actuary or similar person with knowledge of investment matters would be considered. With a good commencing salary, prospects for the future are considerable. Write, in confidence, to Box No. 9185, c/o Charles Barker and Sons, Limited, 31 Budge Row, London, E.C.4.

ASHANTI GOLDFIELDS CORPORATION LIMITED

BIBIANI (1927) LIMITED

It is regretted that, owing to a printer's error in our issue of last week, the interim dividend of these Companies were wrongly shown as 9s. 6d. and 2s. respectively. They should have been shown as 9.6d. and 2.4d. respectively.

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

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CITY OF CARDIFF EDUCATION COMMITTEE

COLLEGE OF TECHNOLOGY AND COMMERCE

Principal: Dr. A. Harvey.
Consequent upon the promotion of the present occupant of the post to a Principalship, applications are invited for the Headship of the Department of Commerce and Administration.

The salary will be in accordance with Grade IV of the Burnham Report, viz., £1,515-£2,151.5s.

Forms of application, together with further particulars, may be obtained from the undersigned on receipt of a stamped addressed foolscap envelope, and should be returned not later than 14 days after the appearance of this advertisement.

ROBERT L. PRESSWOOD, Director of Education.

City Hall, Cardiff.
NATIONAL TRADE ASSOCIATION, with headquarters in Sheffield, invites applications for a Senior Executive post. Duties will comprise the management of certain functional departments already staffed, and the development of new areas of the Association's activities, and will involve high level contact with industry and with Government Departments. Starting salary £1,000-£1,200 per annum, but more will be paid if experience and qualifications are exceptional. The post is superannuable. Applications to Box 211.

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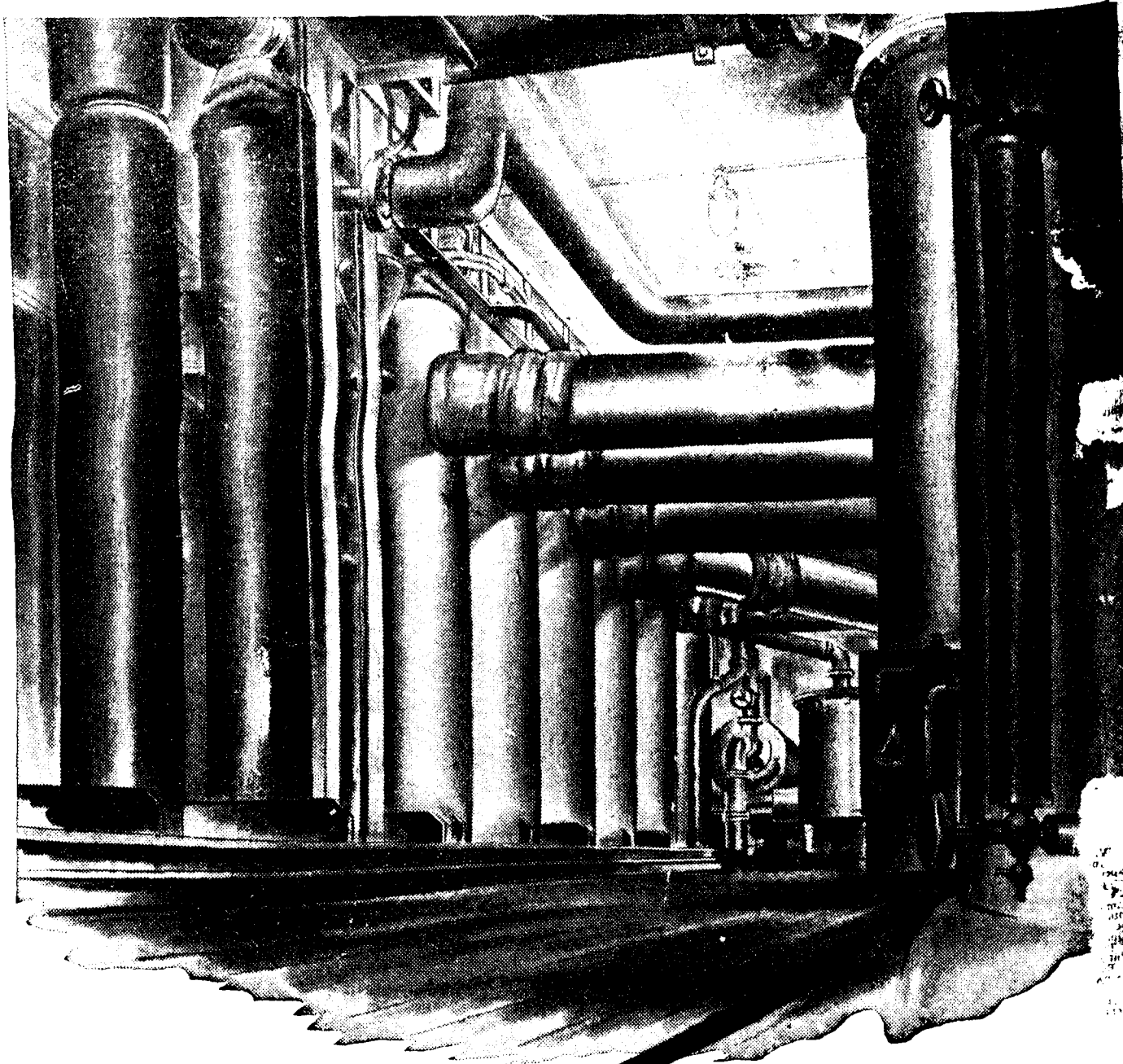
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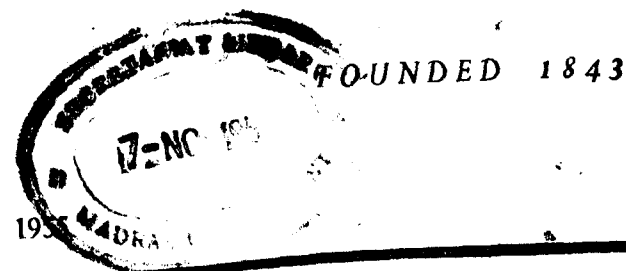
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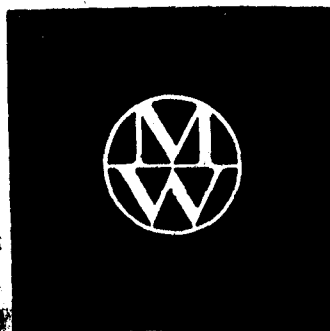
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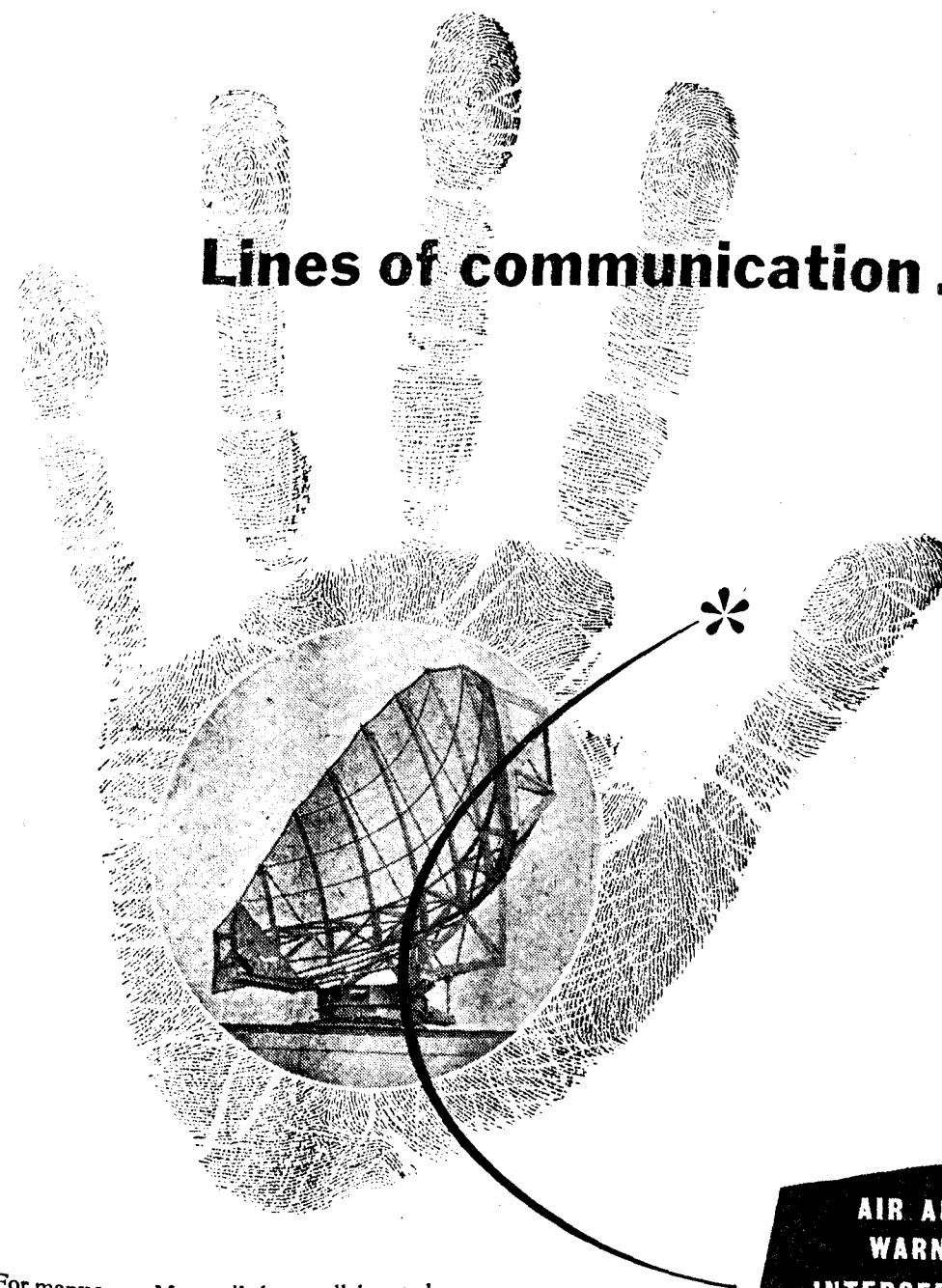


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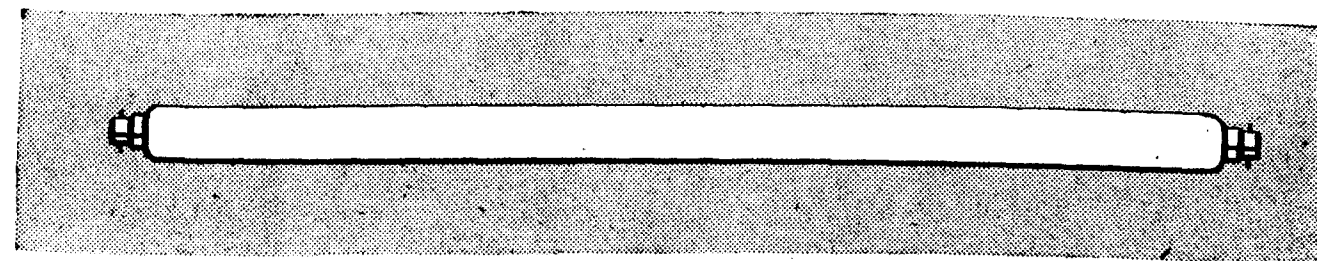
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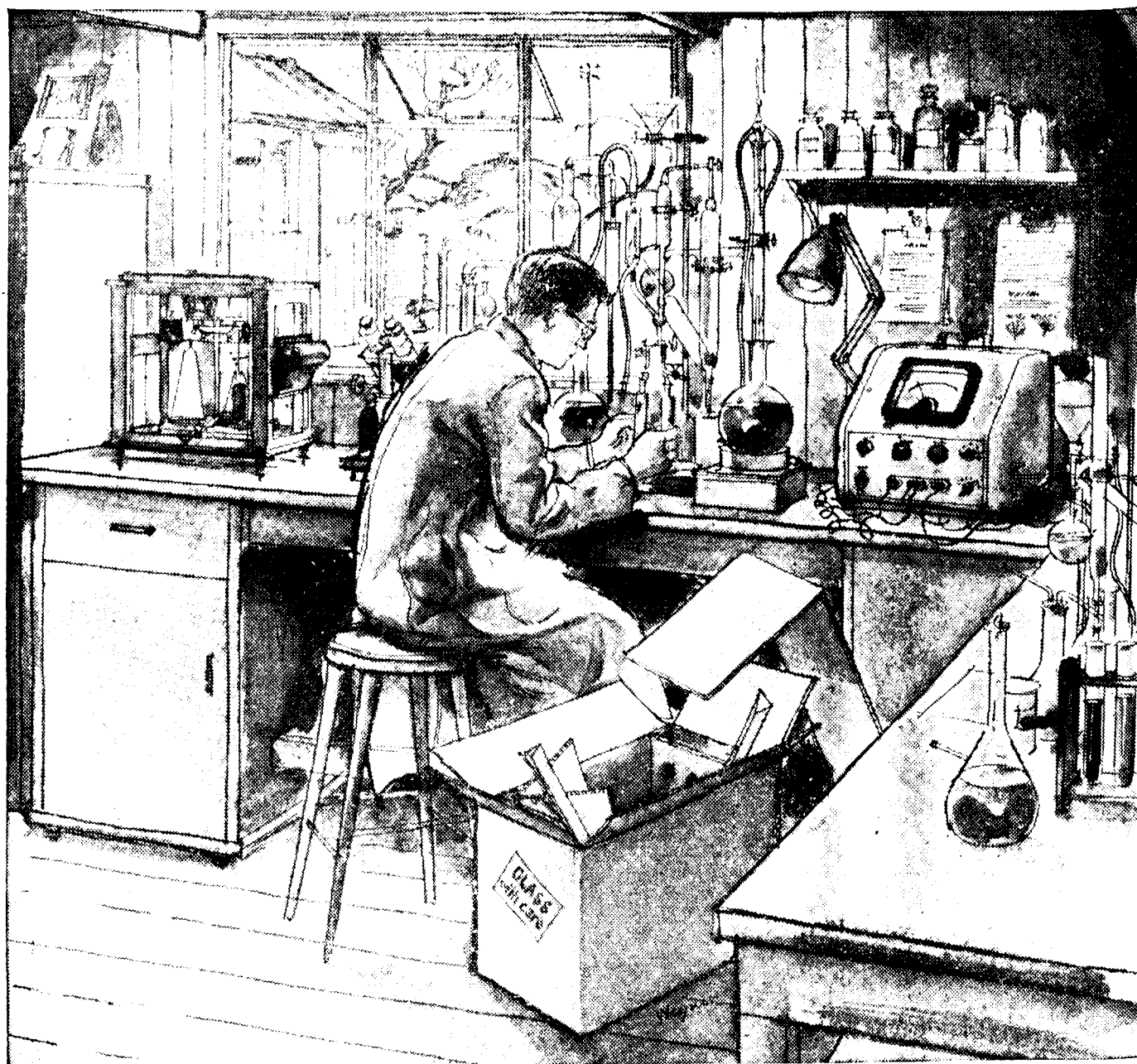
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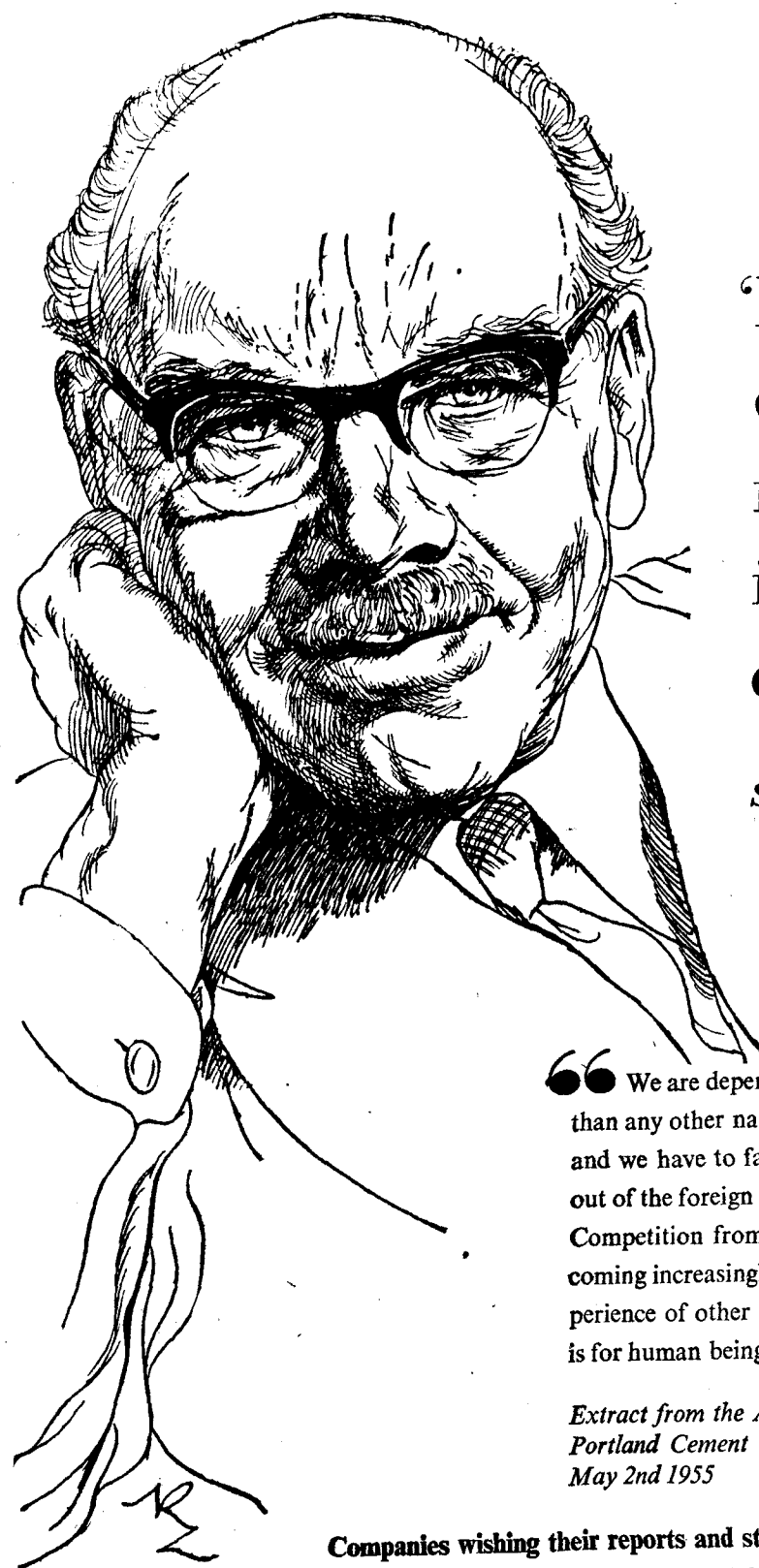
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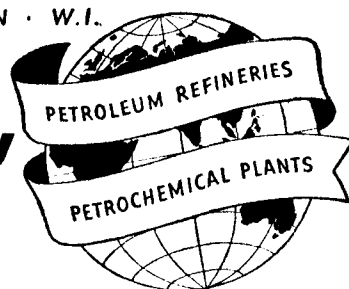
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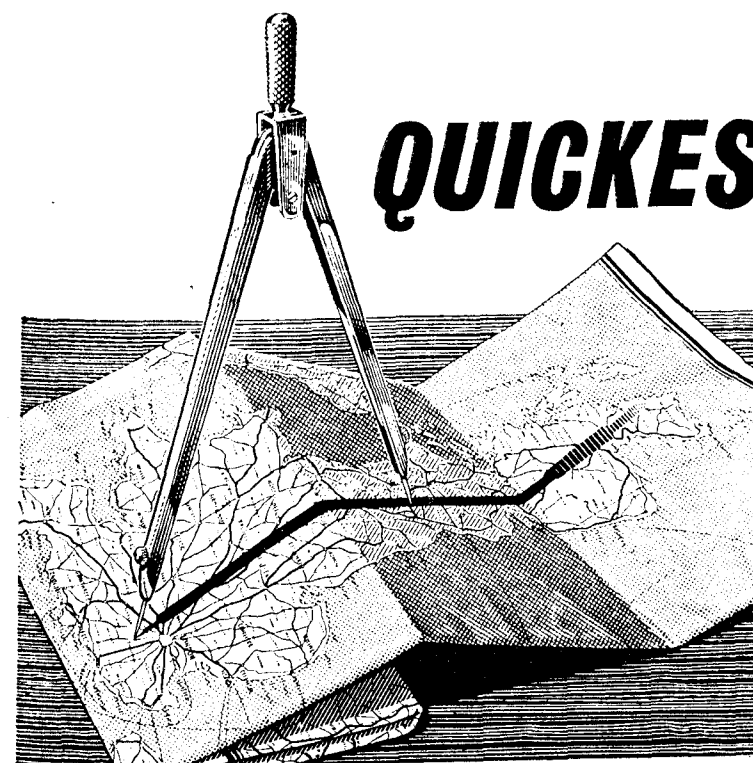
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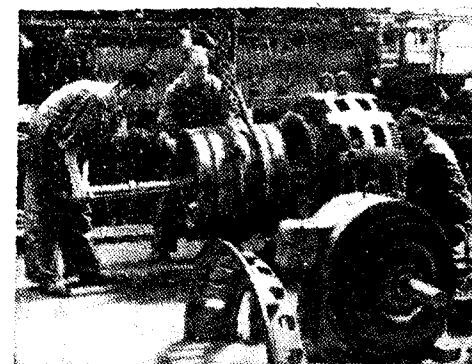
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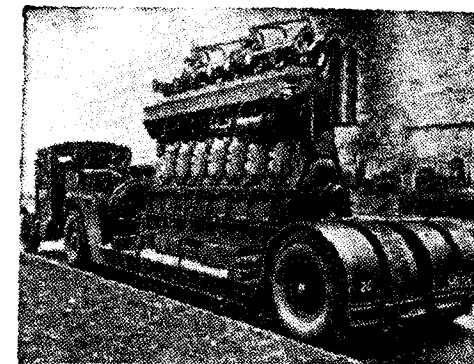
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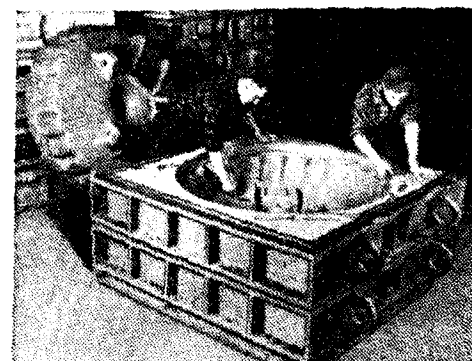
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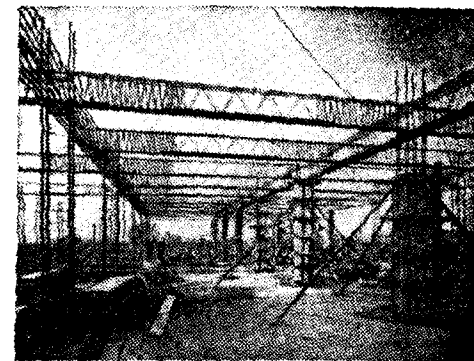
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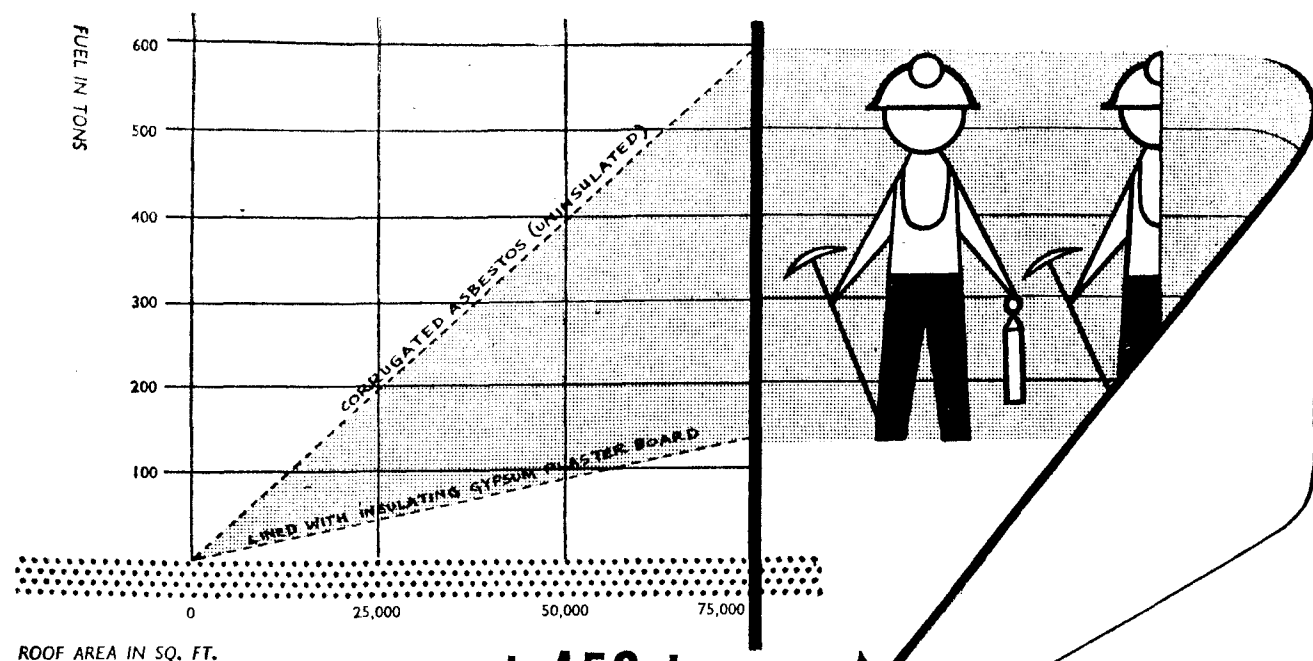
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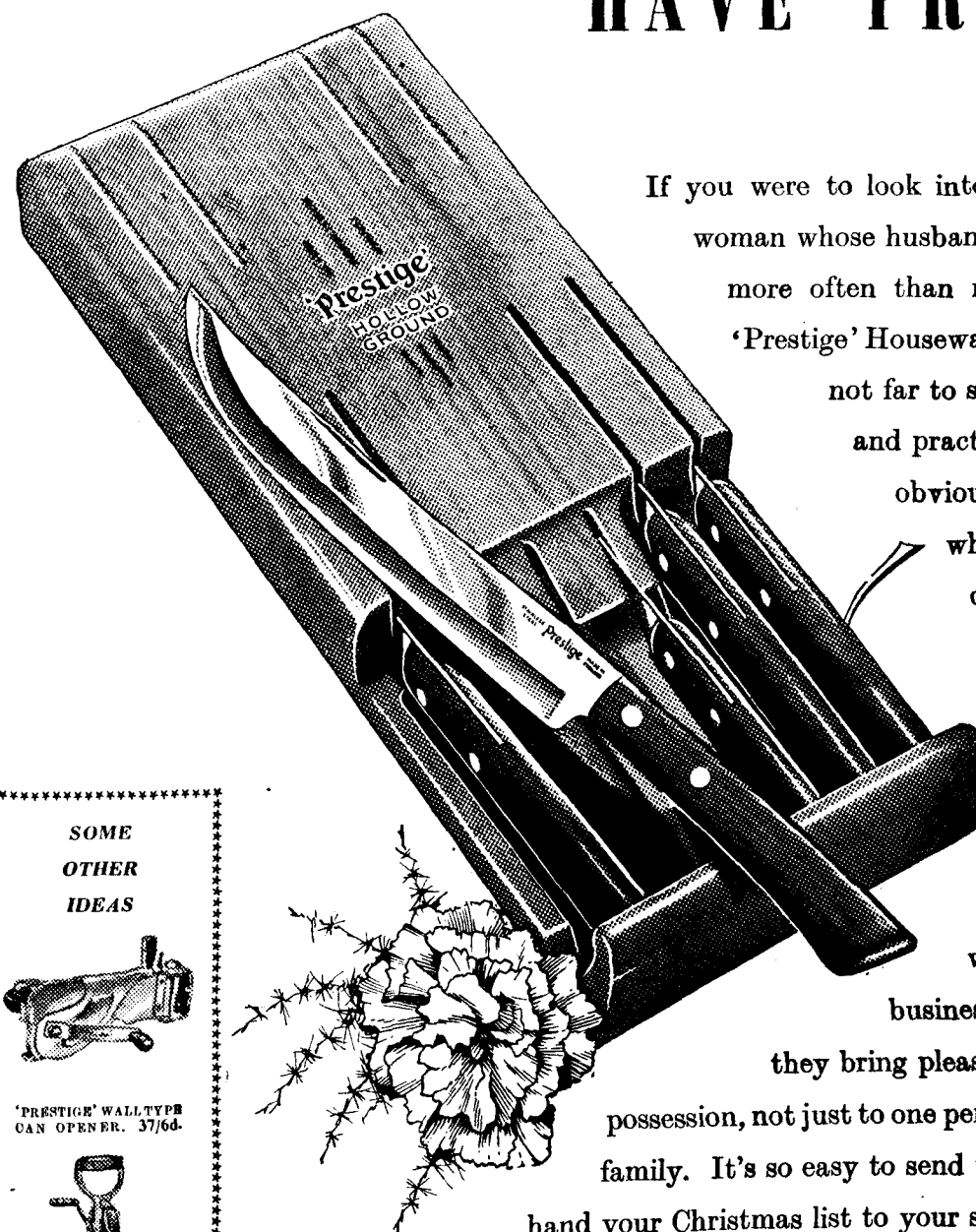
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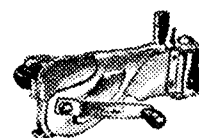
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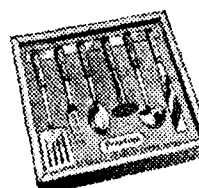
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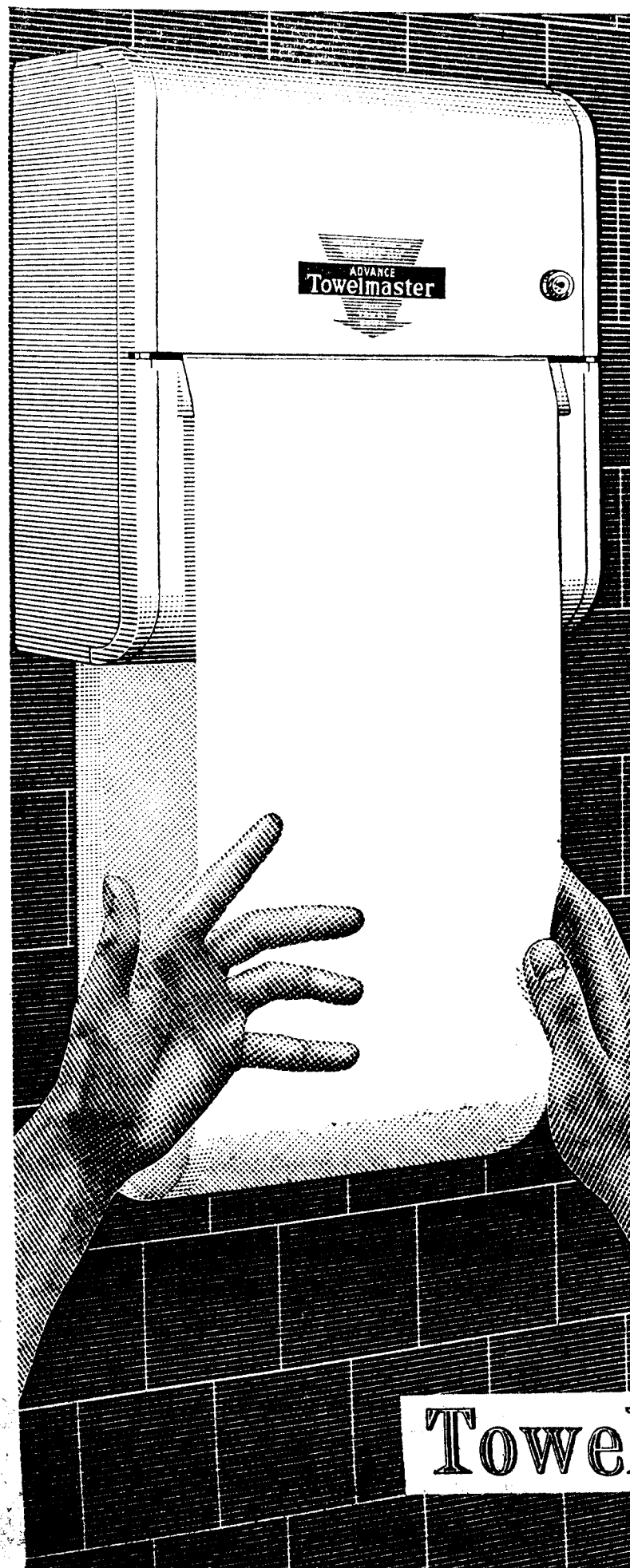
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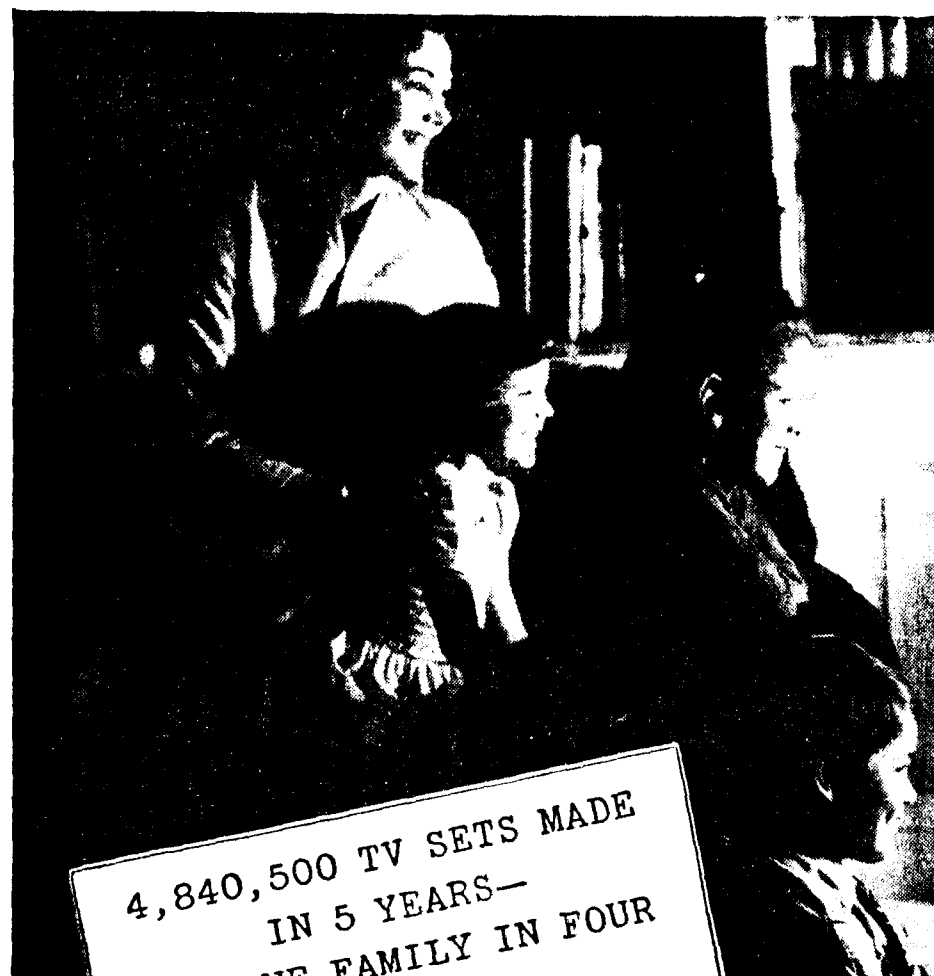
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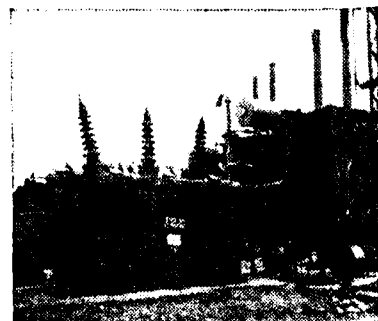
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The Economist

FOUNDED 1843

OCTOBER 8, 1955

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Target for Margate

"MARGATE?" said Pilot Officer Percy Prune, staring disconsolately out of the old RAF training poster, which had something to do with the proper use of signals inter-communication; "Oh, I thought you said Target. Anyway, bombs gone." Prune's wartime admirers may feel a certain nostalgia this week-end as the delegates to the annual Labour conference gather in Thanet, with no more coherent thought after their election defeat than to drop bombs on their own organisation. It is, of course, absurd for Labour to pretend that its failure last May was due solely to organisational defects; the politicians cannot get away with putting all the blame on to the administrators. And yet it is also a mistake to go, as some newspapers have gone, to the opposite extreme: to forget that the Tories after 1945 showed that a reform in organisation can be the quickest, although often the unconscious, precursor to a change in policy. It is at least possible—although it is too early to say that it is probable—that the organisational reforms which Labour is now discussing may serve the same hidden purpose. To understand the basis for this hope, it is necessary to look rather more closely at Labour's troubles than the Margate conference itself is likely to do. It is also necessary to look at them sympathetically.

The Labour Party in 1955, like the Conservative Party in 1945, is suffering from a disease that can best be diagnosed as diehard rot. This does not mean that the Labour diehards—the constituency activists who still believe in the public ownership of every means of production, distribution and exchange, and in other dogma-eared pre-Elizabethanisms—are in control of policy. As the plight of Mr Bevan, the man who now writes articles on the back page of *Tribune*, shows, the activists have never stood further from control than they do this week-end. But a movement of opinion outside the party has served to bring Labour's disease to what doctors call (and sometimes com- fortably call) a critical stage. The fact is that the Labour party's diehards now arouse the same vague feelings of derision and dislike among the most crucial "middle-of-the-road" section of the electorate as the Tory diehards did before they were muffled ten years ago; to a broad mass of wavering voters "nationalisation" and some of the other brave battle cries of yesterday have become slightly dirty words. The reasonably modernist people who would really be in charge of the policy of any new Labour Government recognise this point; but they have not yet been able to "stifle by absorption" their reactionary left-wing tail.

Their failure is, at least partly, a matter of public relations; and it may be useful to them—as it will certainly be useful in writing the rest of this article—if an attempt is now made to introduce a new word into the English political language. The more one considers the history of Conservatism since 1945, the more one is impressed by the Tories' luck that Mr David Low had already given their public bogeyman a bad name, so that it was made easier for the

Butlerites to hang him. It was possible in the years of Tory reform after 1945 for a Butlerite to say that he was a Conservative but not a Colonel Blimp, and for most of the colonel's cronies in the Conservative constituency organisations to applaud this sentiment because they would not admit that the Butlerites were referring to them. The Gaitskellites today have no such Aunt Sally; it is not easy for them to declare that they are Labour but not, say, "old-fashioned Socialists" (that sounds heretical), or "Bevanites" (that sounds feudy), or "near Communists" (that sounds rude). They badly need a name that will convey mockery rather than melodramatics about the internal forces that they have to combat. The name that will be used here may not sound very original, but the need cannot wait upon imperfections in nomenclature. Let us call Labour's pre-Elizabethan bogeyman "Blump." There is a special reason why the time may be ripe for an assault upon him. It is a reason that lay at the bottom of the need for this week's Wilson report.

★

The election of 1955 has shown that Labour's voluntary organisations in the constituencies—which are the Blumps' special preserve, as they used to be those of the Blimps on the other side—are in an appalling mess; and the call has gone out that these organisations must be made rather more professional and streamlined. The Blumps themselves enthusiastically support this idea, without realising that professionalisation and streamlining—if properly carried out—would strike at the roots of their influence. That is what happened to the Tory diehards after the Maxwell Fyfe and Butler reforms of 1945-50; the dominant change in local Conservatism since those reforms has been the swing of control away from the squirearchy towards the whist drive set, although with the squire still turning up at the whist drive to present the prizes.

Does Mr Wilson, the would-be Pygmalion of Labour's organisation, realise that his recommendations should help towards a similar switch away from extremism within the local Labour parties? The answer, one suspects, is a quotation from Pygmalion itself. His immediate motives, and the details of his recommendations, are discussed in Notes of the Week on a later page; they are concerned with changes in the canvassing technique (which might bring in hundreds of old votes) rather than with changes in policy (which alone could bring in thousands of new ones). Indeed, whenever the report touches upon ideas rather than mechanisms, it is to insist that the central authorities should not use the machine that Mr Wilson wants to build for them "for the purpose of furthering particular policies which may be the subject of controversy within the movement." Nevertheless, as the Tories' experience after 1945 showed, it is not always necessary to recognise one's goose before one cooks it. The Tories were able to achieve their important changes in both

policy and party atmosphere after 1945 largely because they sent down three sorts of missionary to tame the local parties. The crucial point about the Wilson report—deny it though Mr Wilson may—is that it seeks to send out the same three educative influences into Labour's ranks. It is for this reason, and this reason alone, that it deserves to be regarded as a document which may yet be of prime historical importance.

In the first place, the report declares that "it will be necessary to create the nucleus of a National Agency Service, nationally staffed and paid and working under the control of regional organisers"; it envisages that the men made available for these posts should be trained people with professional qualifications, instead of stray Labour councillors who want a paid job and happen to be able to make rousing speeches to a constituency party meeting. This recommendation is immediately tempered with the statement that "care will be taken to ensure that recruits to this service . . . will be entirely relieved of any activities connected with the formulation of party policy"; but this qualification misses the whole significance of agency development. Once a genuinely professional agent is in the field, his job is to recruit as many active workers, or even inactive members, into a local party as he can; this inevitably means that he finds himself stretching out from the Blimps or Blumps (who feel strongly enough to play an active part in politics already) to the less militant masses who have hitherto been scared away by the Blimpish or Blumpish nature of the club. Labour will not be the loser if its local parties are broadened in this way as its whole-time agents become thicker on the ground, but less thick in the head; perhaps the Blumps would not take to any swamping of their present control as kindly as the Blimps have done, but they are even less likely to move out of the party—for they have nowhere else to go.

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Secondly, the Wilson Report envisages—although, unfortunately, in rather a committee-compromising way—that active politicians in the public eye should take over some of the control of the machine that is now supposed to be exerted by paid servants of the party. At first sight, this proposed shift from Mr Morgan Phillips to (probably) Mr Harold Wilson might not seem to be a bad thing for the Blumps; but if any active politician takes over organising the organisation, this should represent a shift towards painless absorption of the local militants and away from the constant irritation of them that has hitherto been assuaged by partial absorption of their policies. In a party that has to look as if it is democratic, a high-powered paid servant cannot act as a moderating influence. Whenever he tries to interfere, he is regarded as a presumptuous hatchet-man. An active politician of the Woolton type—cajoling, persuading, acting as ear trumpet as well as *porte-parole*—must be much better placed, as well as, probably, less

clumsy. Indeed, it is probable that the Wilson reforms would serve to increase rather than to diminish the influence of the permanent staff at Transport House. There is an analogy to be drawn here from the field of Government itself. Some of the unconservative actions of Conservative administrations (or for that matter some of the unsocialist actions of Labour administrations) may have been helped forward by the pressure of civil servants; but the civil service would have much less opportunity for influence in these cases if there were no such thing as Ministerial responsibility. And if doubts are expressed about whether Mr Wilson is the right horse for this course, they can best be answered by a question: would anybody have believed in 1945 that the ideal man to lead local Conservatism away from its previous fatal connection with big commercial and industrial interests would have been Frederick, Lord Woolton?

The third important feature of the Wilson report is that it urges—indeed goes outside its terms of

Nato in a Warm Climate

IN the theatre of the Palais de Chaillot in Paris the curtain rises each evening on the intricate precision of the Moscow ballet. In a less elegant addition to the building, hastily tacked on a few years ago, the autumn sun shines each morning on Nato staff and Nato delegations immersed in the imponderables of the annual stocktaking. This annual review is a year-long process which normally culminates in the December meeting of the Atlantic Council, when the foreign ministers, defence ministers and finance ministers meet to appraise the year's progress and to set the planning goals for the future. The special session of the Council that has been called for the last week of October, to provide an opportunity to review political issues on the eve of the next encounter with the Russians at Geneva, is not connected with these regular procedures.

Although the full ministerial meeting sets the seal on the year's work, the critical stage in this process of developing fifteen national defence programmes and meshing them together to form a whole comes at the point when the international staff and the experts from member countries hold oral examinations of each ally in turn, and probe the soft spots and the inconsistencies in plans and performance. This collective self-analysis is now in full swing. The generals are also stocktaking. And next Monday the defence ministers of the fifteen countries will meet in Paris to hear, and to discuss, what General Gruenther and his colleagues at Shape have to say about the impact of the new atomic weapons, and the fact of the hydrogen bomb, on Nato strategy.

Probably little of what is said in Paris in the next few weeks will find its way into the newspapers. The layman cannot reasonably hope for enough information

reference to urge—that the national executive should undertake a separate and urgent review of "the whole subject of party education, publicity and propaganda." Once again the Conservative reorganisation after 1945 has shown that these are forces which—if they are handled imaginatively instead of mechanically—must tend to propagate new ideas rather than old emotions within a party; and any Labour review of the subject now can hardly be one that calls for less imagination. The Blump should be even more vulnerable to this sort of force than the Blimp. A pseudo-intellectual politician is always more likely to be baffled by science than a plain, blunt and selfish one. Or that, at any rate, is the hope—a tenuous but surging hope, based on a report that is not always consistent and not yet accepted, not always far-seeing and perhaps not even quite selfless—that the Wilson recommendations deserve to arouse. But they will, presumably, have to be supported by different arguments when they are presented next week in a gathering of so many Blumps at Margate.

to enable him to reach an independent judgment on the adequacy, or sense, of the Nato effort. Nor would his judgment be much good if the highly technical details were made available. The best he can do is to bring out a few broad principles, and hope for the best.

Mr Pearson, the Canadian Secretary of State for External Affairs, has stated the first principle in four words: "Nato is not negotiable." It is so obvious that without the strength that Nato built there would be no meeting in Geneva at the end of this month, and no new spirit of hopefulness abroad in the world, that it might be supposed even Moscow would now realise that Nato wears no price tag. What has been less clearly said is that there can also be no tampering with it. As M. Pinay pointed out in New York last week, there are Nato bases, but not foreign bases, in Western Europe. The organisation is not a scrap of paper, but an Atlantic defence community. Its members can agree to limit their forces; perhaps to dispose their forces differently, but there can be no question of nibbling away at its flexibility and coherence by treating either American participation, or German participation, as subjects for special negotiation.

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The second broad principle is that there must be no weakening of Nato; and the third, that everything possible should be done as quickly as possible to shore up the weak sections that have begun to appear in the structure. The hydrogen bomb, the "Geneva spirit," and inflation, have together created a situation in which

the temptation to cut defence budgets and to reduce periods of military service is strong. How far the individual governments think they can do without the quick political gains these cuts would bring will come to light in the course of the examinations now being held in Paris. It is probably still true to say that in no Nato country would those charged with defence decisions argue that the time has come when cut-backs can safely be made. But the danger lies in the fact that many of the decisions which now have to be taken will not appear to involve a clear choice between strengthening or weakening Nato, between building up or cutting back.

A great deal has happened since last year's annual review, and most of the things that have happened have made the planners' headaches worse, and the unreliability of their guesses more apparent. A year ago the decision was taken to base Nato strategy on the use of nuclear weapons, and the programmes now being scrutinised reflect that decision. Early in the year, the British Government announced its decision to manufacture the hydrogen bomb, and the concept of "deterrence" was brought into the open by the White Paper that followed. Neither the economic nor the strategic implications of these developments have more than begun to be realised. The period of maximum build-up as projected at Lisbon has now been nearly reached in all the Nato countries except Germany, which has yet to start. All the indications are that even to stay on the plateau once it has been gained means rising defence costs. Any substantial shift to new weapons and new strategy means higher obsolescence rates, more airfields, more mobile and better equipped divisions, more specialised training.

Finally, in addition to the looming economic problem, there are the great strategic question marks. Does the deterrent power of the hydrogen bomb mean that conventional weapons, including the "new conventional" atomic weapons, are already either obsolete or unnecessary? Are we in danger of finding ourselves forced to resort to nuclear war because of our inability to defend ourselves by other means, even if our opponent, for whatever reasons, stops short of using weapons of mass destruction? Can we deal with brush fires?

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At present the information submitted to Nato by the British Government runs only up to April of next year, presumably because the implications of nuclear defence have not yet been digested. Much more information, even if only of a preliminary nature, will undoubtedly be given orally. But there is the danger that preoccupation with the imponderables of the future may divert attention from the need to maintain and improve the quality of the only defence we now have. This feeling, that the future is so inscrutable and perhaps so different that a little marking time or a little cutting of corners can do no harm, is an Atlantic, not simply a British,

problem. What, it is asked, does one Danish battalion more or less matter? And much more insistently, there comes the question: is there any real need for German divisions?

Since midsummer the hopes raised by Geneva, and the tendency of governments to encourage these hopes, have added public confusion over the need for defence to genuine perplexity about the best kind of defence. And inflation in this country, and the pressure of socialist demands in others, have made it harder for governments to be frank; harder for them to explain to the public that the road from the "summit" does not run downhill; harder for them to go out of their way to make the public understand why it should not urge governments to do things they half wish to be pushed into doing.

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There may, perhaps, be cuts that can be made here and there without weakening Nato. Only the experts can judge these intricacies. But three things are clear. First, even if we try to do no more than hold the allied defence effort at present levels, it is still bound to get more expensive. Second, cutbacks tend to set off chain reactions throughout the Atlantic structure. Third, no country is too small to matter. The strength of Nato lies in the fact that it is an alliance of partners. "Burden sharing," in the sense in which it was known in Nato's early days (that is, of attempting a precise mathematical division of the burden of defence among countries) has, rightly, been abandoned. Fair shares cannot be reduced to a neat formula when money, men, and geography all play their part in the calculation. But the concept of common responsibility, which is fundamental to Nato, remains. And only if all member countries feel that their partners are pulling their weight, however intangible the calculation of weight may be, will Nato continue to be more than a military alliance.

Moreover, although the danger of a premature relaxation is at once the most pervasive and the most insidious of the dangers that now beset Nato, it is not the only one. As the external threat appears less menacing and less immediate, all the latent divisive forces within the community become more obvious. The connection between American tariff policy and a strong Atlantic community tends to become obscured. The Greeks and Turks forget they are partners. The French withdraw their best troops to deal with urgent problems in North Africa. In the Saar, the larger issue of a united Europe is obscured by passion.

But when all is said, Nato is not falling apart at the seams, and it would be a disservice to paint the picture blacker than it is. Some of the present difficulties are growing pains; some are the inevitable results of the centre of the stage having shifted to Geneva. And some, and on the whole the difficulties that matter most, are ones that the member governments can themselves correct by plain speaking.

The Right to Move

THE year for which the basic travel allowance is granted runs from November 1st to October 31st, and an announcement of the arrangements for the next twelve months can therefore be expected any day. The limitation of private travel expenditure has always been officially regarded as a temporary expedient, as one of those unpleasant relics of wartime that will be done away with as soon as possible. As year succeeds to year, this attitude becomes harder and harder to uphold. He would be a very bold man today who would venture to predict when the need for a restriction of travel expenditure will be thought, in Whitehall, to have disappeared, or even when the basic allowance will be made so large that practically nobody will notice its continued existence. *Ce n'est que le provisoire qui dure.* It is not generally expected that the Chancellor will reduce the allowance for 1955-56 below the £100 that was granted for 1954-55. But if the announcement is one of "no change," it will be a long step towards the hardening into a permanency of the belief that British subjects cannot safely be allowed more than some such sum as an annual allowance for uncontrolled foreign travel. Before the provisional hardens into the permanent, the Chancellor of the Exchequer might be asked to give some thought to the first principles of the matter.

Personal mobility is one of those things to which a very different priority can reasonably be given in the short run and in the long. When it really is a question of a temporary emergency, no great harm results to the public interest if travel is closed down. In any one particular year, the damage done even by a complete stoppage is small—whereas any interruption to the imports of material goods has immediately visible effects. That is why, in a balance-of-payments emergency that really is temporary, it may be right to cut foreign travel more savagely than imports of goods—just as, in a sudden local emergency such as a shortage of fuel or water, it is obviously right to close the schools rather than the bakeries or the power plants.

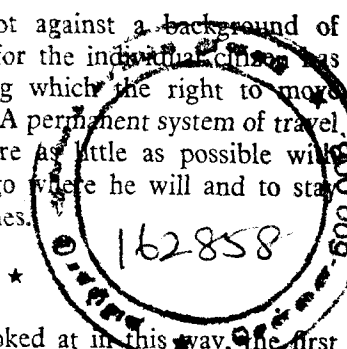
But in the long run the case is surely reversed. The long future of a nation depends on nothing so vitally as on its schools, and similarly a nation that wishes and needs to live in the world should regard it as a matter of the highest importance that its citizens should not be either mentally or physically hooped up within its own borders. Moreover, from this long-term view of the national interest, it is not the short holiday or pleasure trip that is important (though they have their value) so much as the much smaller number of people who go to foreign countries for long enough to acquire real knowledge and understanding of them. If, as seems only too likely, some limitation of private travel expenditures is going to be necessary for a long time ahead, the nature and size of the limitation should be considered against the background of this long-term

public interest. And not against a background of collective interest alone, for the individual citizen has rights of his own, among which the right to move must surely be included. A permanent system of travel allowances should interfere as little as possible with the individual's right to go where he will and to stay there as long as he wishes.

When the matter is looked at in this way, the first specific point that needs to be made is that freedom of human movement should be given a priority in its claim on the available foreign exchange at least not inferior to the priority given to the freedom of movement of goods. At present its priority is far lower. In the exchanges between the United Kingdom and the countries of free Europe there is at present an open general licence for a long list of commodities, many of which could not by any stretch of language be called necessities. Of these goods a resident in the United Kingdom can import as many as he is willing to pay for. The British Government, to its credit, shows no sign of withdrawing any of these open general licences. If it can be done for goods, why not for persons? Why insist on direct controls in the one case and not in the other? Why not rely on general financial and fiscal policy to keep the demand for foreign travel in check, just as Mr Butler so proudly—and rightly—relies on it to keep the demand for foreign goods in check?

The second point that needs to be made if some limitation of travel expenditures is going to be permanent, is that any geographical exclusions are wrong in principle and damaging in practice. The present position is quite ludicrous, for a British subject is free to visit the Soviet Union without having to ask the Treasury's permission, but neither the United States nor Canada. This is the sort of thing that may be tolerable temporarily but not as the semi-permanency that it has become. What sort of a Commonwealth is it when the citizens of one part cannot freely visit another? Again, the immediate object should be to put human beings at least on a par with goods. Token import quotas for American and Canadian motor cars were granted some time ago, and have not been withdrawn. If dollars are not too tight for this, then they should not be so tight as to ban all private pleasure travel to the dollar area. (The allowance of about \$100 for visiting "close relations" is too small to be taken seriously.)

The third point concerns the form of the allowance. It is expressed as an annual sum. But this is really a misnomer. It is safe to say that nobody draws it over the whole year, at the rate of £2 a week. Expressed as an annual sum, it is really a licence to spend a very



few weeks out of every year outside the country. This serves well enough the needs of the holiday-maker and the casual visitor (though with the steady rise of prices in some continental countries the period it licenses is again becoming very short). But anyone who wants to stay longer than a brief holiday has to ask permission. It is no answer to say that additional currency will always be granted to anyone who has a good reason for going abroad. For one thing, the official definition of a good reason tends to be proof of necessity. But in the long run it may well be the least necessary travels that are the most rewarding, to individuals and nations alike. (Would Byron have received a Special Allotment to go to Greece?) Moreover what sort of a state is it that makes its citizens ask permission to stay out late, like schoolboys asking to be excused from lock-up?

There is a fairly simple way of meeting this point of principle, without abandoning all limits on the use of foreign exchange for travel. This is to grant the allowance not on an annual but on a daily basis. Let the allowance be (for example) either £100 per annum or £5 for each day actually spent abroad, whichever is the greater. The individual would then be free to go when and where he would and to stay as long as he wished, but there would still be a safeguard against the export of capital (which is the only abiding need for any control at all), since he would have to stay a very long time and live very hard indeed to accumulate any sum worth the trouble. If it be objected that such a system would not be administratively work-

able, the answer is that it is precisely the system that is already applied to business journeys.

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If travel allowances are to be a permanent feature of our national life, the only system that should be tolerated would be a daily allowance without restriction of time or place. It is not really unreasonable or unpractical to press for this here and now, even in this difficult autumn. The cost in foreign exchange would be small—certainly no more than £10 million a year and probably less. It would be much smaller, that is to say, than the dollar cost of indulging the British public's taste for Virginia as distinct from other sorts of tobacco. If we really believed some of the generalities that figure in politicians' speeches about freedom, civil rights and international understanding, we would be willing to re-arrange the priorities to the quite tiny degree that would be necessary.

But if the Chancellor finds this idea too unsettling, there is a minor plea that might be enough to be going on with. This is that the freedom of personal movement should, in every area, be treated as not less important than the freedom of movement of goods. In practical terms, this would mean an open general licence for travel within the non-dollar world, and at least token trips to the United States and Canada. If the Chancellor says that he cannot afford even that, he may sound very judicious. But he will be admitting that he has not really thought about the matter at all.

Nationalism Without Brakes

THE two international sensations of the past week are closely connected. Both Egypt's arms deal with the Soviet bloc and the French withdrawal from the United Nations Assembly are facets of one broad general development, the impact of which no part of the world can ignore. There is, of course, nothing startlingly new about the Asian-Arab upsurge itself; indeed, the Bandoeng conference last April was essentially a solemnisation of a familiar reality. After the massive withdrawal of European power from the Orient during the past decade, and the successful creation of a whole new galaxy of sovereign states between the Mediterranean and the Pacific, it is neither surprising nor in itself disturbing that these new states are eager to assert their independence and to make their presence felt on the world's stage. No responsible person in the West begrudges them their progress. But, statehood once achieved, the way ahead for Asian and African nations is just as tricky as that which other states have to travel. A firm use of steering wheel and brake is as essential, if collisions are to be avoided, as pressure on the accelerator is essential to progress; and

there is perhaps nothing more important than a wide area of vision when approaching crossroads. No Highway Code in the world, whether printed in Roman, Arabic or any other script, advises drivers to ignore traffic lights when they are at red. Yet many Asians and Arabs seem in a mood to do just that.

The dangerous intersection of the moment is the one where the "Bandoeng" route meets the "Geneva" road. The loud assertion of Asian and Arab claims and complaints against the West would not endanger international stability if freedom was not already threatened throughout the world; nor would it if the threat to freedom was clearly and generally recognised, for most men would then put first things first. It is when claims and complaints (from any quarter) are voiced with a new shrillness because the threat has apparently been removed that the greatest danger arises; and it is thus that the mixture of "Geneva spirit" and "Bandoeng spirit" takes on explosive characteristics.

Egypt's right to buy arms where it pleases is unchallengeable in itself (pending worldwide agreement on disarmament), and in itself it is not being challenged.

But Egypt's insistence that it can demonstrate its complete independence only by buying from Communist arms manufacturers fits in perfectly with the gospel Moscow is now preaching—the gospel of neutrality for more and more nations, which, it goes without saying, are to be detached from association with the West, not from the Soviet bloc. At the very moment when the Turkish-Iraqi pact has been broadened to include Pakistan, while Iran is responding cordially to Turkish approaches, the Russians have achieved their biggest success to date with the argument they have been so assiduously using throughout the Middle East: the argument that, in the new atmosphere of relaxation, the Arab states can forget all about the possibility of danger from the colossus to the north. Implicit in this argument has always been the corollary that the Arabs can then devote their energies to the destruction of Israel. Soviet diplomacy has contrived to tighten nerves again along the Palestine frontiers, to sow new bitterness between the Arabs and the West, and to strike a blow against the Baghdad alliance—all by making judicious use of the conjuncture of Bandoeng and Geneva.

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The same two elements prevailed in the UN Assembly when it decided, by 28 votes to 27, to debate Algeria, reversing the ruling of its own steering committee in an unprecedented manner and visibly surprising itself. At four previous Assemblies the Arab bloc, with Asian backing, had pressed the Tunisian and Moroccan issues, eventually goading French delegates into absenting themselves from the committee sessions concerned, but never securing, even from the "anti-colonial" Latin American representatives, enough support to carry their resolutions. This year, with changes under way in the two North African protectorates, the Arab-Asian pressure switched to Algeria, in the full knowledge that French resistance would be still sharper in the case of an area which is legally part of metropolitan France. "Bandoeng" feeling enlarged the Afro-Asian phalanx; Siam, the Philippines, and Liberia joined the Arabs and the Colombo group in demanding a debate. "Geneva" feeling disrupted the ranks of those nations that would, in tenuous times, have stood together to prevent a crisis; Greece (indignant at France's opposition to discussion of Cyprus) and six Latin American states voted for an Algerian debate, Iceland, Ethiopia and others abstained, and a debate was approved by a majority of one—a figure eloquently indicating that no positive resolution can possibly secure the two-thirds majority required by the Assembly's rules.

Thus in New York and Cairo last week, as in the Balkans in recent months, it was shown that Moscow's new and more intelligent policies are paying off, that when the bear sheathes his claws, and grins an apparently toothless grin, sectional animosities revive

among the free nations, and even allies shake off their inhibitions about quarrelling in public. Admittedly, a certain amount of argument, even of friction, is and ought to remain an identifying characteristic of the free world; only in a monolithic, totalitarian system can disagreement be totally extinguished. But must it then be conceded that the Marxist dogma is true which condemns the non-Communist world to tear itself to pieces through "internal contradictions"?

Given a normal amount of sanity both in Asia and in the West, that nightmare need not come true. Dispute need not always lead to disorder, or anger to anarchy, if certain obvious facts are grasped by the disputants. Both Asians and westerners have still to assimilate some ideas that do not appeal to them. In the West, it is first of all necessary to get rid of the illusion that all anti-western feeling in the Orient is the product of Communist intrigue. Undoubtedly, the Communists do not hide their intention of playing on this feeling for their own ends, and intensifying it wherever possible. But the underlying feeling is real enough (as is the widespread affection between Asians and westerners which, unfortunately, carries less political weight). Westerners have also to appreciate the exertions which many responsible Asian leaders often make to restrain hotheads among their own peoples, a task which generally involves some loss of popularity. Asian delegates at Uno do not automatically endorse every charge levelled at colonial authorities; at Bandoeng, the resolutions adopted in an atmosphere charged with anti-western emotion were notable primarily for their moderation; both at Bandoeng and in New York, spokesmen for free Asia have shown a good deal of wariness over accepting Communist arguments at full face value even when they are advanced by fellow Asians. All this should be taken into account.

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At present, however, it is the Asians who are making the running, and it is among them that there is the greatest need for more careful reflection, particularly on two points. First, it is broadly true to say that the peoples of the Orient still have no idea what Communist rule would mean for them. Wrestling with their own vast changes and problems, they have simply not noticed what has happened in Eastern Europe since the war, and even China remains for most of them remote and mountain-girt, lavish in its propaganda but not an immediate reality such as the sight of the satellite regimes presents to continental Europeans. Likewise, in many Asian eyes Western Europe still seems a horizon-straddling giant; they do not see it as its own inhabitants now do, as a precarious foothold of freedom at one end of a land mass now bound by iron chains.

Second, most of the Arab leaders and many other Asians seem quite heedless of the harm their present

tactics are doing to the United Nations system—and hence to themselves. It is true that they have always emphasised Uno's function as a forum for the airing of disputes and grievances, as against the original concept of an organisation to defend peace; but they are not altogether unaware of its value as a shield for the weak, and they presumably recognise that in it they have obtained a much stronger position than they held in the European-dominated League of Nations. Do they now want to discredit or even destroy the very instrument that has proved so useful to them?

Many sincere supporters of the United Nations' cause seem to feel that they must, on principle, support the "right" to bring juridically domestic issues before it, and that it is a setback for Uno whenever such a debate is barred. The weight of argument, however, is very much on the opposite scale. It is the worst possible service to Uno to strain its procedure beyond the founders' original bond, to use it to stir up anger and fear, and then to reveal its impotence to carry its resolutions into effect. To do this is damaging to the United Nations' prospects of ever becoming a real protector of weak and peaceful nations. It is damaging even to those who hope that some day it will acquire proper powers to concern itself constructively with nations' domestic affairs, for the arbitrary hit-and-run tactics now pursued in effect set a premium on intransigence.

If France's Moslem citizens were as rigorously insulated from the outside world as Russia's are, would the Arab-Asian governments see any more point in demanding self-determination for Algeria than they now see in the case of, say, Kazakhstan? The impression has grown up that only a government which reveals liberal tendencies has anything to fear from Asian critics in Uno. It is the retreating "imperialists" who get sniped at, not the unbudging or advancing ones. And the effect is usually either to goad a conciliatory government into stubbornness, or to hasten its replacement by a more stubborn one.

Indeed, the only winners in the game as played at present are authoritarian regimes, of whatever colour, which give Uno no information about their minorities, blandly ignore its code of human rights, and cast their votes without scruple to set at loggerheads Asians and westerners between whom the essentials of freedom are common ground. Most of Asia's real leaders today are genuinely concerned to preserve and extend freedom, and their only excuse for playing the authoritarians' game for them is shortsightedness. The time has surely come when they should search their hearts, asking themselves what they want to do to the United Nations—to nurture it both as a forum and as a peace-maker, or to reduce it to futility, bitterness and ignominy, and thereby to leave a clear field for international politics based on naked power.

Notes of the Week

Which Froth?

THE Chancellor's after-banquet speech at the Mansion House on Tuesday contained one pleasant and one unpleasant surprise. The unexpectedly good news was that Britain had a small surplus on its current balance of payments in the first half of this year. Admittedly, this surplus was probably more than accounted for by the receipt of some of the last dribbles (£34 million or so) of American defence aid; admittedly, too, as the Chancellor dutifully pointed out, a country with heavy commitments for foreign investment should run not a small current surplus but a large one. Nevertheless the news that Britain was paying its way until the end of June sits rather oddly beside the cries of crisis that have been heard all through the summer. It suggests that the fall in the gold reserves—although it should be noted that this, too, amounted to only some \$82 million during those first six months—has not been entirely due to British extravagance: more potent

factors, probably, have been the Australian spending spree (which has been much bigger than the British one) and foreign speculation against the pound.

The Chancellor's unexpectedly bad news, however, was that this drain on the gold reserves was still in flood in September; another \$112 million was lost, and Britain incurred a new debt to the European Payments Union that will have to be settled by paying out \$80 million of gold next week. Although he was able to announce that "virtually the entire loss and deficit with EPU took place in the first half of the month"—which suggests that for the last fortnight we may at last have been back in dollar balance again—he had accordingly to be rather more specific than before in his references to the need for new measures of restraint. "The sum of the Government's proposals in the field of expenditure," he said, "and any other measures which are necessary to correct the situation, must, of course, be announced to Parliament as soon as we meet."

The tone of Mr Butler's speech—in particular the blame that he put upon private consumption and Government expenditure—does not suggest that his chosen weapon will

be to raise Bank rate again. But what "other measures" then? Cuts in the investment programmes for the roads and other essential public services? It will be a pity if the Chancellor assumes that these can lightly be switched on and off. Higher purchase tax on cars and other exportable goods? There is a case for this, but not an overtly strong one. A determination to follow up Mr Sandys's "very important" warning that housing subsidies should be cut with full-bodied reform of the Rents Restriction Acts? The case for this is overwhelming, and there seems to be increasing reason to hope that the Government will accept some part of it. The still, small—and probably unheard—voice of reason must murmur that there is a very strong case for a cut in the agricultural subsidies as well.

Under New Management

CONSERVATIVES will warm to the rich, expansive personality of Lord Woolton for the last time when he sums up the results of the annual conference at Bournemouth this weekend. Indeed, their leave-taking may be the most affecting feature of the whole Tory jamboree. For Lord Woolton it will be a most satisfactory "account rendered." He took over the chairmanship of the party the day after its defeat in 1945; he leaves it re-energised with probably four years of power ahead. His successor, Mr Oliver Poole, takes over a smoothly functioning machine; but that is not to say that his task will necessarily be any less difficult than Lord Woolton's. Lord Woolton started with a broken-down outfit and very little money, but with a group of young enthusiasts bursting with ideas: the very stuff of which a success story is made. Mr Poole, with no such national reputation as Lord Woolton enjoyed, takes over a fine business, equipped with immaculate departmental heads, but rather fewer ideas and effervescence; his problem will be to introduce even more scientific methods of vote-collecting, to fight the dry rot of complacency with relentless vigilance, to find—if possible—some new ideas, and to put over his own personality. Well-liked in business circles, he has yet to make his appeal to the housewife, the voluntary worker, the young Conservatives. In this, however, he will have the backing of Mr Donald Kaberry, who well knows how to pounce on an issue and make a Tory battle-cry out of it.

It may be that Mr Poole will concentrate on the problem of a new inspiration—he was political head of the Conservative Political Centre—while Mr Kaberry deploys his organising experience in the constituencies. Their immediate problem, however, is clear. They have to put over to the party workers the right story about the government's economy measures—and, it may be hoped, about other useful legislation for getting the distortions out of the economy—in the next year or two; to combat any incidental defeatism if the public sulks or Labour goes on to the offensive; and to prepare for the electoral success story which should emerge around 1958 or 1959. They have, in fact, a long term public relations assignment. They will do best to treat it as a whole, to balance the lean years against the fat, and to trust to the electorate's sense of further favours to come. And, of course, to keep the party's

fighting machine clean and oiled at all times—for even with a majority of 60 one never knows when the bridegroom cometh.

A Change to be Avoided

THE Government changes have been delayed. This can be interpreted—according to choice—as meaning either that Sir Anthony Eden is wisely refusing to be hurried in his decisions, or else that he is dithering. The rumours about whom these changes will affect vary almost from day to day. But one rumour which has been given some currency—and which deserves comment at this stage—is that Mr Thorneycroft may leave the Board of Trade: either, it is said, he may change places with Mr Boyd Carpenter at the Ministry of Transport, or else he may be rolled out of the Government altogether.

The Board of Trade is far too large a department for a single Minister or set of senior civil servants to handle conveniently, and there is a strong case for separating its external and internal trade functions. But in the last few months Mr Thorneycroft has been chiefly notable for two things. First, he has piloted through the Cabinet a proposal for monopoly reform that would go slightly further and faster than the reform proposed in the majority report of the Monopolies Commission would have done; and this has annoyed some of the Conservative party's paymasters. Secondly, he has been reasonably firm in dealing with the Lancashire lobby; and this may have led the Whips to report that he is unpopular with a certain type of Tory back bencher. If he is removed from the Board of Trade now, this will be widely taken as a sign that Sir Anthony Eden has capitulated before both these undesirable forces. The rumour that Sir Anthony has ever thought of moving him may be quite untrue; if it is true, then it is quite possible that Mr Thorneycroft himself would be rather relieved to leave his arduous office. But this does not alter the fact that his departure now would be a shattering blow to the general confidence that Conservatism can be kept moving on progressive instead of pressure-group-ridden lines; at a time when everybody seems to be engaged in amateur Cabinet-building, this seems to be the right week to bare one's teeth about a change that needs to be avoided.

Smoke Over Morocco

THE plan to settle the Moroccan question before the French parliament reassembled, and to present the deputies with a *fait accompli*, has misfired. The startling outburst of fighting in the Riff and Middle Atlas regions was not the only reason for this failure. The plan itself was distorted in its hasty, last-minute execution. The puppet Sultan, Sidi Ben Arafa, finally departed for Tangier, but he took along the imperial seal and at the last moment delegated his powers to a cousin, Mulay Abdel Hafid. M. Faure may argue that this is merely a temporary measure,

in no way precluding the creation of a Council of the Throne as agreed at the recent Aix-les-Bains conference. Frenchmen in Morocco, however, echoed by the colonialist lobby in Paris, maintain that the Resident General Boyer de Latour had promised them that *le provisoire va durer*.

The melodramatic search for the sultan's seal is, obviously, no more than a decorative arabesque. The first question is, now as before, whether Paris can impose its will in Rabat, whether the Prime Minister will be obeyed by his proconsul. It is doubtful whether M. Faure will dare to assert governmental authority any more firmly now that he is faced not only with recalcitrant ministers, but also with vociferous deputies. But unless he does, France may blunder into full-scale war in Morocco. Nobody, as yet, is seriously arguing that the latest tribal outbursts, apparently assisted from beyond the Spanish border, are the result of Arafat's departure. On the other hand, if French delays in fulfilling the Aix pledges exhaust the patience of the nationalists, the present violence is all too likely to spread from the tribal areas to the politically conscious towns. The way to avoid that is bluntly to order the Resident to carry out his duties instead of evolving personal schemes. An article on page 131 explains that M. Faure's chances of survival are in any event slim. If his majority is indeed on the point of disintegrating, he might do well to bid boldly for Socialist support for a really positive Moroccan policy. The premier must have learnt in this North African crisis that a government cannot save its head by hiding it in the sand.

Greece Mourns and Watches

It would be wrong to say that the death of Field Marshal Papagos has put Greek politics into a state of flux, for that had developed before the prime minister died. A national hero who drove back Mussolini's armies in the tradition of Thermopylae and decisively defeated the Communist forces in 1949, he again earned his people's gratitude by entering politics and restoring stability to them in 1952, when his Greek Rally party swept the polls. But in recent months, with the prime minister a prisoner of his own health, the Rally, having already lost its architect, Mr Markezinis, had been increasingly torn by antagonisms which revealed the hollowness of its imposing parliamentary majority. Only a few hours before the field marshal's death his delegation of powers to the foreign minister, Mr Stefanopoulos, provoked an open schism and a threat of resignation from several other ministers. Meanwhile, there had been open talk among a divided but restive opposition about simultaneous resignations from parliament with a view to forcing mass by-elections. And in an Athens clouded over by bitterness about *enosis* and by estrangement from Turkey, the atmosphere was as embarrassing for the forces of moderation and commonsense as it was encouraging for extremists.

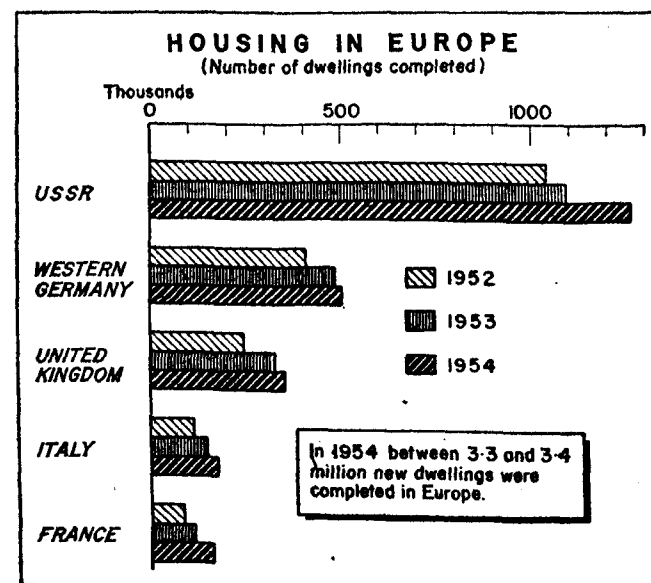
The death of the prime minister may bring about at least a momentary lull. Few Athenians would wish to see brawling over his bier, and no politician would gain in stature by provoking such a brawl. But the respite can only be brief. General elections probably loom nearer now. Will the Rally hold together even long enough to fight them

as a party? A return to kaleidoscopic politics would appeal to many Greek instincts; but Field Marshal Papagos's tenure of office may have led quite a number of his fellow countrymen to reflect on the damage that further internal divisions must do to Greece's international bargaining power and status.

The Rusty Machine

IN pursuit of its devious objectives, the Wilson committee has not been sparing in its lurid description of the apathy, bungling and bureaucracy in Labour's present "rusty and deteriorating" election machine. Last May, the report says bluntly, Labour's "voluntary workers were fewer and less enthusiastic than at any previous time"; some of its instances from individual constituencies—such as the two rural areas in which "the only workers right up to polling day were the agent and candidate"—attain to the proportions of a horror comic. The primary target which the committee proposes for the new party organisation that it wishes to set up is one that the Conservatives reached long ago. By September, 1957, says Mr Wilson, Labour must have carried its inter-election canvassing far enough to be in possession of an adequate marked register in every marginal constituency, giving "a permanent record of Labour voters . . . with appropriate action to keep it up to date and to register potential postal and proxy votes." Much of the rest of his report is nominally concerned with the machinery necessary for bringing this register into being.

The report moves straight from its discussion of the Conservatives' superior canvassing techniques into its long-awaited attack upon Transport House. This section begins by advocating greater independence for the National Agent (who has hitherto been subordinate to Mr Morgan Phillips) and for the Regional Organisers (who have complained that Mr Morgan Phillips has given them too much paper work



Source: The European Housing Developments and Policies in 1954. Economic Commission for Europe.

to do): the feud in which Mr Wilson is indulging here is made a little too obvious, and it was not made any less obvious as he and Mr Phillips sat side by side at Wednesday's press conference at Transport House. For the blunt and embarrassing fact is that Mr Wilson is trying to pinch a large part of Mr Phillips's job. The Wilson report recommends that a "special standing sub-committee of the national executive" should be set up to "supervise the organisational work of the party." It proposes that the National Agent, his assistant, and the Chief Woman Officer should sit on this committee, but that Mr Phillips should not; the other members of the committee would be the party Treasurer (Mr Gaitskell) and three or four members of the national executive, under "the chairmanship of a member of the national executive" (almost certainly Mr Wilson himself). This sub-committee would be a very important—or, as Mr Wilson prefers to call it, "very busy"—body. It would "meet regularly and frequently, and should be charged with the duty of receiving and considering reports from the Regional Organisers"; above all, and it is with fulfilment of this recommendation that the strings of power would really move into its hands, it would be concerned with "organising training and recruitment of agents."

Nationalising Agents Now

THE present agency service in the Labour party is certainly in need of this proposed reorganisation. The Wilson report notes that at the end of 1954 the party employed only 244 full-time agents; and then—in what is perhaps the most striking sentence of the whole report—"during the past two years one hundred full-time agencies have collapsed, and a further number are in course of doing so." In view of the insecurity of the job, and of a minimum salary that has increased by only 78 per cent since 1939 (to a Grade I rate of between £450 and £550), it is not surprising that the committee finds most new applicants for this job to be "of very poor quality." Moreover, many of the nominally "full-time" agents in the constituencies are not trained organisers at all. They are local Labour councillors, who spend a large part of their time in local government work and another large part in running football pools to raise the constituency party's share of their own salary. The committee recommends that no new grants should be paid from party headquarters to keep this sort of person in office.

Instead, the party's aim should be that "of working towards a full National Agency service." "National appointment," the committee points out, "would, of course, mean national control over the agent, including insistence on adequate training, and the right to move the agent from one constituency to another"; although, to avoid the "thorniest problems" of "imposing an unwelcome personality upon a constituency," it is suggested that local parties should be allowed to choose their agent from a panel approved by head office. In any case, it will only be possible to set up a small "nucleus of a national agency service" in the beginning, and Mr Wilson therefore suggests a series of stop-gap schemes to ensure that the

all-important register of electors in marginal constituencies may be completed by 1957.

He suggests that the national executive should tell the proposed "special standing sub-committee" how much additional money can be spent, and that the sub-committee should allocate this among the regions according to need. Each Regional Organiser would then agree with the sub-committee how this money could best be spent in his own region. In some cases, the urgent need might be for new Regional Assistants, who could spend a month or more at a time as full-time organisers in particular constituencies. In others the need might be for grants to maintain an existing "worthwhile agency" which is in danger of collapse. In others it might be "to deploy nationally paid organisers full-time in particular marginal divisions, perhaps for a limited period." In others, it might be merely to pay students or other part-time workers to undertake a special canvass to bring the marked register into being. All of these are worthwhile proposals. But the effect that they could have on the sinews of power within the local parties has not yet been fully grasped.

Thoughts for Tory Councillors

THE Conservatives' usual curtain-raiser to their annual conference—the discussions by local government Tories on local government affairs—this year showed a refreshing capacity for novel and even radical ideas. The two Ministers who attended it could not say much. Mr Sandys had dropped his bombshell for the year two weeks before, and he would not expatiate widely upon the subject at Bournemouth. He voiced his conviction that cuts in the housing subsidy need cause no hardship if councils act sensibly and introduce differential rent schemes, but he added that he will not compel them to do so; he was also cautious about local government reform, saying merely that he "hoped" that we would be able to present agreed proposals during this session. Sir David Eccles, pointing out that local government now accounted for a quarter of total national investment, urged local authorities to make the public realise why many desirable things are not yet possible; he also indicated fairly plainly that he has been having a tussle with Mr Butler about education expenditure, and that he himself thinks that housing should now slide down the priorities list.

The two principal private papers read before the conference were in some ways more interesting than the Ministerial statements. In one of these, Mr Ivor Gowan urged the re-creation of a Local Government Boundary Commission armed with considerable powers. It would recommend which towns should become county boroughs, and would also take over the county council's job of reviewing the areas of county districts; as Mr Gowan rightly said, the county has become too interested a party to be trusted with this task. He also wanted the middle-sized urban authorities to be given back responsibility for preventive health services and the care of old people, and suggested that Ministers should make much fuller use of their compulsory powers to secure larger authorities for town and country planning, education and fire services. These interesting suggestions

kept within the framework of what Mr Sandys is believed to be prepared to do.

The second set paper from Mr J. D. Trustram Eve contained the surprising proposal that valuation for rating should be handed back from the Inland Revenue to the local authorities. Mr Trustram Eve claimed that valuation was too tricky a business to be put upon a fair uniform basis for the whole country, and that the attempt was upsetting the more important aim of keeping assessments comparable within the same locality. Mr Trustram Eve's argument deserves consideration—the present triangle of valuation officer, local authority and ratepayer is working none too well—but it was above the heads of this particular conference.

No Dealings with Grotewohl

IN formal Notes to Moscow, the three western governments have reaffirmed that the Federal Government is the only legal government in Germany and that the final settlement of German frontiers must await a peace treaty, and have asked for an assurance that Russia will respect its obligations concerning free access to Berlin. These Notes underwrite Dr Adenauer's declarations in Moscow, and counter the Soviet grant to the East Germans of the right to control civilian communications with Berlin. Dr Adenauer is concerned lest his agreement to accept diplomatic relations with Moscow should lead to the recognition of two German states, and has given notice that this would be regarded as "an unfriendly act, hindering German reunion." It was out of the question that the western powers would formally recognise the Grotewohl regime, but there have been rumours that Yugoslavia might do so, and thus give a lead to other neutrals. Moreover, the western powers must soon decide whether to withhold *de facto* as well as *de jure* recognition from the East Germans, who are going to Geneva in force and will ask to be heard there. They will, it seems, urge a reversion to the political clauses of the Potsdam agreement and demand that before elections all Germany must be cleared of "militarists, Nazis, Junkers and big business concerns."

Dr Adenauer is under pressure to send a delegation to Geneva too, even if this means admitting in effect the existence of two spokesmen for Germany. Since his Moscow talks he has been criticised for opposing talks with Herr Grotewohl. Herr Ollenhauer said in the *Bundestag* on September 23rd that efforts to improve communications with East Germany "must not break down over questions of prestige or protocol," that Bonn must be guided solely by the need to ensure the existence of Berlin, and that the Moscow agreement "could only be justified to the people in the Soviet Zone and Berlin if we are ready to accept the consequences of the new situation it creates." Other Germans have declared that the time has come for a "new realism" and an end to "ideological rhetoric" about the "German Democratic Republic." In these circumstances, the western foreign ministers should follow up their formal statements by refusing to listen to the Pankow puppets in Geneva. The lesson of the Moscow talks will have been lost on them if they still believe that Dr Adenauer can take a stiffer line than they do themselves.

Soothing Touch in Belgrade

MR ROBERT MURPHY, the American Deputy Under-Secretary of State, has a happy knack of smoothing out difficulties with the Yugoslavs. Last weekend, after his busy round of discussions with President Tito and senior government officials, full agreement was reached on the future use of American aid. This satisfactory result has been enthusiastically welcomed in the Belgrade press, which closely reflects the official line, and the occasion has been used to acknowledge Yugoslavia's debt to the Americans for their help. In view of the coolness which had been developing between the two countries, Mr Murphy's achievement is all the more creditable.

Disagreement centred on the American desire to carry out an inspection of the military equipment supplied to the Yugoslavs under the agreement of 1951. According to the Yugoslavs, the kind of inspection the Americans had in mind was far too close; but whichever side was at fault this difficulty appears to have been ironed out. As a result, negotiations for the use of economic aid to the value of \$40.5 million allocated to Yugoslavia have been resumed and look like being concluded soon. Yugoslavia has also accepted an invitation to take part in the United States plan for the peaceful use of atomic energy. It is clear that the Administration is determined to keep friendly with Marshal Tito, irrespective of the opinions of a few Congressmen. The Yugoslavs, for their part, are obviously pleased and, to judge from their comments, are contrasting American reasonableness with the obduracy of the Hungarians, who are proving most unwilling to reach agreement on the problem of reparations.

Reluctant Co-existers

THE Soviet Relations Committee set up by the British Council last May has got its teeth well into the business of arranging cultural and technical exchanges between this country and Russia. It is clearly, in the long run, in the interests of Russia itself that Soviet delegations to the West should be shown round by people and organisations that really represent western life, not, as was previously the case, by comrades who fed them the very party-line pabulum they had been reared on at home and sent them back still snug in their delusions. Communist-run societies are naturally still making every effort to steer Russian visitors their way, but the hard-headed leaders of the Khrushchev regime have begun to see that their technical emissaries learn much more from "capitalist" experience if they travel under respectable auspices.

This is all to the good. Every Russian who gets a chance to see the outside world, upshepherded by comrades eager to keep his blinkers tightly adjusted, represents another little opening in the curtain of imposed ignorance. But the scale of what has been achieved, and even of what can be hoped for, should not be exaggerated. The Russians still cling to the principle of limited visits by specialist delegations, and it will be long before it can be regarded as normal for a Soviet citizen to stay privately with friends here, or

vice versa. Nor has the committee any power to reach men's minds in Russia itself. It seems, shockingly enough, that the Moscow publishing houses have not issued a single book that gives a picture of modern British life—not even a hostile one. The evolution of the Commonwealth and of the welfare state alike is thus a sealed book to Russian readers, whose most up to date information on these islands is gleaned from Galsworthy (early Galsworthy at that). "Co-existence" can only be a nasty mockery of a word as long as a government imposes such a ban on understanding. Meanwhile the British Council committee might turn its attention to the large staff of the Soviet missions in London, among whom a certain discontent with their hitherto confined life has become articulate. If, as sadly seems the case, these men and women lack enough initiative to explore the real British way of life for themselves, ought not somebody to be coaxing them to come out of purdah?

Conference Under Suspicion

BRITAIN has no McCarthys; but three hundred indignant individuals from more than forty countries (the vast majority of them eminently respectable people) have gone home in the belief that it has now produced its own befuddled example of how to spread guilt by association. The unlikely victims of this muddle are the members of the International Conference on Regional Planning and Development which met last week-end in London. The conference was sponsored by eight British and one American Universities and educational bodies; it had the support of several score of academic, social, and professional organisations; its professed aims were wholly professional and academic, and its actual proceedings were quite free from any hint of international politics. It made two mistakes. It announced its intention of establishing a permanent centre for studying regional planning; and two or possibly three of the fifteen members of the preparatory committee were believed to be in some degree Communist sympathisers.

The Government has, of course, every right to be cautious about the political respectability of any large international conference in which civil servants had been asked to participate. But its method of showing its suspicions was extraordinary. They were shown first in steps privily taken by the Foreign Office to dissuade foreign governments from participating—as a result of which the Italian, Norwegian, Australian, Canadian, and South African delegations eventually withdrew. By contrast, the Colonial Office gave the conference its warm support, and was in fact instrumental in bringing a large number of colonial delegates to London. At the last minute, the Home Office stepped in and advised civil servants not to attend in view of the "undesirable political affiliations" of some of the conference organisers. The effect of all this on the conference itself was less devastating than might have been expected. About 60 of the 360 delegates withdrew. But the rest of the distinguished professors and experts fulfilled their allotted roles, although with faces far redder than their politics are ever likely to be.

Would it have been better if the Foreign Office had expressed its suspicions by informally approaching either the universities that were sponsoring the conference, or the preparatory committee itself? The Government's answer will presumably be that any such course would have led to even shriller cries of "McCarthyism" than have now been sent up. But this reply confuses the shrill objection to its chosen procedure with the real one. The real complaint now being voiced is not one of McCarthyism; that charge is too silly. The real complaint is that a clutch of eminently respectable professors feel that they have been most unfairly tainted with a hint of illicit conspiracy, and are murmuring fearfully to each other—for example—that next time they want a visa to visit America they may find themselves in difficulties. It is high time that the Foreign Office showed a little more diplomacy at home.

Counter-Revolutionary Proposals

IT is never easy to be reasonable yet counter-revolutionary; in his "Notes on Public Finance" in the latest issue of *Lloyds Bank Review*, Professor Lionel Robbins manages to be both. His thesis is that the revolution wrought by progressive taxation in the last thirty or forty years, and "the circumstances that it is now virtually impossible to build a fortune like Lord Nuffield's," should arouse apprehension rather than enthusiasm; he himself is apprehensive that it "will become more and more difficult for initiative to develop save within the ambit of established corporate enterprise," and that "there should no longer be any substantial blocks of individual wealth whose owners can defy fashion, foster minority causes, and give succour and support to the eccentric and the unpopular." But he is wise enough to restrict his proposals for early reform to three counts.

His first attack is upon the "tax on marriage" among the "rather better off middle classes"; the fact that the incomes of a husband and wife are aggregated, and may thus be thrust unfairly high up the surtax range, is not only a subsidy for "more casual associations," but an economic impropriety in itself. Under the American tax system, roughly speaking, a husband and wife may aggregate their incomes and each be taxed on only half of the aggregate; better still, under the so-called "quotient" system operating in some other countries this process of aggregation and division is extended to the family, with each child counting as a certain fraction of an adult for purposes of division. Professor Robbins wants quotients here.

His second charge is that the present system of death duties, under which the amount of duty levied depends upon the size of a man's estate instead of upon the size of individual legacies, militates against a wide spread of property; it helps to "enforce a rigid primogeniture," and with it the sort of society that Professor Robbins does not like. Legacy duties, as distinct from estate duties, used to be a feature (admittedly, only a minor feature) of the British fiscal system before Sir Stafford Cripps abolished them; Professor Robbins thinks that it was estate duties that should have been abolished, while legacy duties should have been made the sole principle of the system. Finally, although Professor

Robbins does not really believe in ordinary profit-sharing ("An entitlement to a share of profits is not property . . . it cannot be bought and sold . . . it does not carry with it a liability to loss . . . it involves no proportionate voice in control . . . there is an essentially *ex gratia* element in it all") he does believe that workers should own more equities; and he thinks that it would be easy to devise ways in which the tax system could encourage instead of discourage issues of this sort. None of these three reforms—even though the first of them, the repeal of the tax on marriage, would be by far the most expensive—should be financially or politically beyond the pale for a new Conservative Government. But are Conservatives counter-revolutionary now?

Janet's Little Bill

A FORTNIGHT ago the hurricane Janet struck Barbados, Grenada and northern British Honduras, before proceeding to cut a swathe through Mexico. Grenada, a poor island living largely from tree crops like coconut, cocoa and bananas, suffered most; according to the Governor, entire estates have been obliterated. As is usual on these occasions, the British Treasury has been induced to make an immediate grant for first aid (£50,000); the damage will then be assessed, and an argument will develop as to how much of the much larger total bill Britain shall pay, how much the local exchequers. In the case of Grenada there can be little doubt that Britain will have to pay for most, if not all, of the damage, which will include subsistence while crops are replanted and come to bearing. Barbados, hit for the first time in 57 years, can make a contribution of its own. When Jamaica was devastated in 1951, Britain made a down payment of £250,000 and agreed to pay £4,750,000 on the final assessment of damage, some part of which may be outstanding; it is also possible that relief payments of this kind partake of the nature of a capital investment.

Nobody will complain, though it should be noted that Britain, as a colonial power, in effect insures the islands against what is a periodic disaster. Only in a few instances are local insurances taken out to cover specific crops, or "disaster reserves" accumulated. The whole approach to disaster is curiously uneven—as perhaps impulses of charity should be; simultaneously with the Windwards being struck down, Bermuda was sending \$43,380 to the United States to help relieve distress caused by Diane earlier. Presumably when the West Indies become independent, the scale of aid will correspond more with that garnered by a stricken independent state; the new federal government will have to be the insurer. Meanwhile the loss and distress—and the money paid—will no doubt add to the West Indian emigration to Britain, now being put on a subsidised basis.

Elections in Brazil

IT will probably be a fortnight before most of the results of this week's presidential elections in Brazil are known. But the heavy proportion of abstentions, estimated at between 20 and 30 per cent of an electorate which is legally

obliged to go to the polls, suggests that a spectacular campaign by various candidates did not eradicate the sense of apathy and disillusion felt by many Brazilians since the end of the Vargas era. It also suggests that the swing to General Juarez Tavora, hoped for by the army and conservatives, has not taken place. So far, Sr Adhemar de Barros seems well in the lead, but this may mean only that votes are being counted most rapidly in the coastal areas around Rio de Janeiro and Sao Paulo and in other urban centres where his strength is concentrated. Expectations are still that Sr Juscelino Kubitschek, who proclaimed himself to be Dr Vargas's heir during a 45,000-mile election tour, will emerge as the winner. His vice-presidential candidate, Sr Joao Goulart, appears to be doing badly; this may be due, in part, to revelations about his contacts with the fallen Peronista regime confirmed by General Lott, the Minister of War.

If Sr Kubitschek does win the election, the army will find itself in an exceedingly delicate position. It has stated that it is the guardian of Brazilian democracy and has promised to respect the will of the electorate. On the other hand, it is opposed, in some measure, to what it believes to be corrupt forces associated with Sr Adhemar de Barros, and it is strongly hostile to the demagogic instincts of Sr Kubitschek. Moreover, recent events in Argentina have convinced many Brazilians that certain elements in political life should simply not be allowed to come to power even if voters are so misguided as to elect them. Sr Kubitschek, however, has warned his supporters of a possible army *coup*, and it would be impossible to deceive the country successfully about the real outcome of the voting. All that can be predicted now is that the next weeks will be tense and difficult.

Indonesia Swings Left

WHILE it is still too early to visualise the whole picture of Indonesia after last week's general elections, the outlines that have emerged so far are disquieting. Reports of the rapid growth of the Communist party (PKI) during the Nationalists' long tenure of office are proving to have been, if anything, an understatement. According to the first incomplete returns, the PKI alone had polled half a million votes more than the Masjumi (Consultative Council for Indonesian Moslems), which was believed before the elections to be the strongest party in Indonesia, because of its natural appeal to an Islamic people and the thoroughness of its organisation in the villages. The Masjumi may gain ground as returns from Sumatra and the remoter islands come in, but an actual victory for this moderate party can presumably be excluded, since most of the counting in Java, which contains 30 million of the 43 million registered voters, was complete at the time of writing. The partial eclipse of the Masjumi can be explained partly by its long exclusion from the election committee while the Nationalists were in power; and partly by the unexpected success of the breakaway Moslem party Nahdatul Ulama, the real "dark horse" of the election. Dr Sjahrir's Socialist party has been even more completely submerged than had been foreseen.

The energetic caretaker government under the Masjumi leader, Dr Harahap, is supposed to remain in office until

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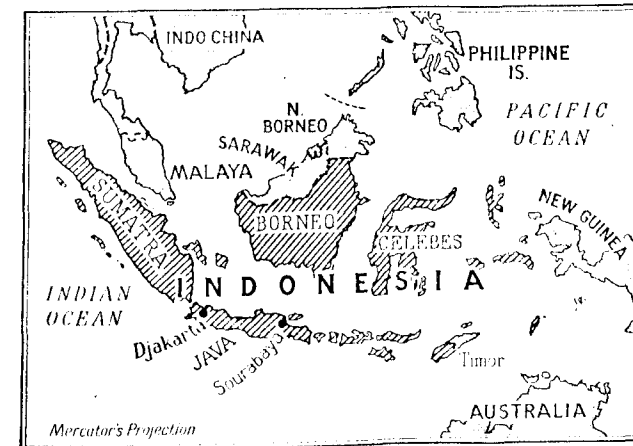
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after the Constituent Assembly has done its work, and this larger body is not to be elected until the end of the year. But the trend of the elections does not encourage the belief that the Masjumi will be in power thereafter, or that Dr Harahap's work of eradicating corruption and facilitating foreign trade will be continued by his successor. If, as now seems likely, the Nationalists find themselves in a



position to form a government, the future of Indonesia, in terms of foreign relations as much as of internal prosperity, will depend to a large extent on which of the other parties are asked to join the inevitable coalition. The curse of Indonesian politics in the past few years has been the unwillingness of many of its leading figures to recognise the threat of Communism for what it is. And this short-sightedness appears to be as prevalent among the orthodox Moslems of the Nahdatul Ulama as in the Nationalist party itself.

Through Rose-Coloured Radarscopes

THE statements made by Air Marshal Sir Dermot Boyle, head of Fighter Command, at the end of the ten-day air exercise "Beware" last weekend were meant to be reassuring. They will have quite the opposite effect. They are of no help to those of his colleagues who are trying to bring home to the Treasury and the country the essentials of atomic strategy, and they raise the question whether Sir Dermot himself realises that the system of air defence that won the Battle of Britain ended ten years ago at Hiroshima. It is no longer sufficient to maul an enemy bomber force. Unless it is destroyed entirely the country remains, in effect, an open and obvious target for atomic devastation, so great is the striking power of the individual atom bomber. The Air Ministry has recognised for some years that even 90 per cent effective defence is technically impossible at present, and this realisation has led logically to the decision to rebuild Bomber Command as a long-range atomic striking force. The principal lesson of exercise "Beware," in which the RAF was using its new Hunters and a brace of Javelins for the first time, is not the value of more extensive radar and faster fighters. It is that the air chiefs have been correct in their presumptions that the threat of reprisal is the only effective defence at their disposal.

What the public needs to know about the present stage of the country's defences is not that Sir Dermot himself would be twice as reluctant to attack this country today as six months ago—and how reluctant is "twice"?—but how near is the RAF to possessing the deterrent, the atomic bombing force, promised in successive White Papers. The Valiants, which are the first long-range jet bombers to reach the RAF, did not take part in "Beware." If the RAF cannot prevent attack, can it at least retaliate?

The Law and the Homosexual

THE departmental committee on homosexuality and prostitution is still taking evidence, and it can be assumed that its report will not be forthcoming for many months. In the meantime, from the memoranda that have been published, it looks as if the most controversial question the committee will have to decide is whether homosexual conduct between consenting adult males in private should continue to be a criminal offence.

The latest body to air its views on the subject is the Magistrates' Association, whose memorandum of evidence to the committee was published in its annual report last week. The association recommends that homosexual conduct between men should not be an offence; but at the same time it proposes that the age of consent should be 30. This age limit is much higher than others who favour a relaxation of the law have usually thought proper—the Howard League (whose annual report has also just appeared), for instance, suggested 21—and, if adopted, would not prevent many of the tragedies that at present arise from too harsh an enforcement of the law as it stands. But perhaps the high age limit reflects a compromise dictated by disagreement on the main issue among the council of the Magistrates' Association, for the recommendation, even with this proviso, was carried only by 41 votes to 33.

The association's membership includes about 60 per cent of the active magistrates in England and Wales, and perhaps it is only the progressive and liberal-minded magistrates who bother to join. Even so, the forces of law and order tend to be so conservative when a controversial proposal of this sort is put forward that those who consider the present law relating to homosexuality wrong in principle should be encouraged by the memorandum. They will especially welcome the emphasis laid by the association—and here it is in full agreement with the Howard League—on the undesirability of sending homosexuals to prison, except as a last resort.

Russo-Japanese Price-Cutting

JAPAN has reached a time of decision in its long peace negotiations with the Russians. During the present recess in the London talks the chief Japanese delegate, Mr Matsumoto, is busily reconsidering his country's position with his leaders in Tokyo. The Russians are clearly hoping that Japanese resolution will crack during the interval as

a demand grows at home (carefully fostered by "Radio Free Japan") for a quick return of Japanese prisoners of war. To this end, suitable *entracte* music has recently been provided by Mr Khrushchev and Marshal Bulganin in an interview in Moscow with a group of Japanese parliamentarians. The Russian leaders drew their visitors' attention to the brevity of Dr Adenauer's recent talks in Moscow, urged the Japanese to come to terms with equal dispatch, and emphasised the economic benefits Japan would enjoy if only it agreed to end the state of war and exchange ambassadors.

Apparently the Russians have now withdrawn from their first demands, made at the beginning of the talks, for the neutralisation of Japan and the exclusion of non-Communist warships from the seas between Japan and Korea. Instead, to judge from Mr Khrushchev's hints, they are proposing an unconditional declaration to end the state of war; but are willing to tack on a promise to hand back a limited number of war criminals afterwards and to restore the small Habomai and Shikotan islands provided the Japanese do not fortify them. For his part, Mr Hatoyama is said to be thinking of dropping the former Japanese claim to southern Sakhalin and all the Kuriles, and of asking only for the two southernmost islands of the archipelago. It was unlikely that Moscow would ever have agreed to the original demands. But Mr Hatoyama would be wise to resist the temptation to follow too faithfully Dr Adenauer's example of quick results. Japan might profitably present the Russians with a list of "missing" Japanese prisoners and ask for a search to be made for them (an offer the Russians have already made to the Germans). And the Japanese are on good ground in insisting on a peace treaty that sets out the various points of agreement, instead of leaving the Russians to make *ex gratia* concessions. A little perseverance on their part might well persuade Moscow to cut its price still further.

Hanoi's New Trimmings

THE recent government reshuffle in the Communist republic of northern Vietnam probably reflects the realities of power. President Ho Chi Minh, much photographed in the company of youthful supporters, is to be kept safely upstairs where he belongs. He relinquishes the premiership in favour of Pham Van Dong, the real victor at last year's Geneva conference, who retains the foreign ministry. "Uncle Ho" may now be used more and more as a figurehead, while the Communist half of Vietnam continues to be ruled by the triumvirate consisting of Dong, the party theorist, Truong Chinh, the "Khrushchev" of Hanoi, and General Giap, the victorious war leader.

At the same time, efforts are being made to adorn the "Democratic Republic" of Vietnam with "western" democratic trimmings. The membership of the new Fatherland Front, formed last month with the object of reunifying Vietnam, includes some deceptively innocent-sounding names. There are "socialists," "democrats," delegates from the Cao daist and Hoa Hao sects in the south, and many other southern representatives, including a Buddhist and a woman described as "an agricultural combatant." But if the membership is apparently well-blended, there is no attempt to disguise the reality of Communist control

at the top. Ho Chi Minh is the "honorary chairman"—a further confirmation of his figurehead-status—and the next names on the list are Ton Duc Thang, an aged stalwart of the defunct Indo-Chinese Communist party, and Truong Chinh, the present party boss.

This political activity has not been matched, at any rate lately, in south Vietnam. But supporters of Mr Diem have visited Manila for a meeting of the "Asian Peoples' Anti-Communist League," where again, although in a different context, the list of members had a strange look. This non-governmental body, formed in June, 1954—at the time of the Far Eastern conference in Geneva—comprises delegates from Hongkong, Macao and the Ryukyus, as well as South Korea, Nationalist China, Siam, the Philippines and Vietnam.

So far, the activities of the League have been slight, one major obstruction being the South Koreans' resistance to a Formosan proposal that the Japanese be invited to join. It was decided at the Manila meeting to set up a sub-committee to examine the question of new members. But there is so far little sign that the organisation will prove a serious obstacle to Viet Minh ambitions, or indeed to Communist activities anywhere in the Far East. Whether even the Americans ever thought that it would is not known. The official American attitude is described as one of "benevolence but not active encouragement."

Peace or Truce Party?

In another article we have pointed out indications of an incipient intrigue to wrest from the country the fruits of its hard-won victory by a combination between such of the regular opposition as follow Mr Disraeli and such of the occupants of the cross benches as obey the impulses of Mr Gladstone and Mr Bright, for the purpose of urging the Government into premature negotiations. We have now to explain how little really pacific is the policy which these singular allies would recommend. We are as truly members of the Peace Party as the honourable representative of Manchester or any of his colleagues—nay, much more so. We have depicted the horrors and the mischiefs of war as earnestly and nearly as often. We have denounced the unequalled sin of unjust or unnecessary wars as sternly as Mr Bright. We have calculated the cost of strife even more closely and estimated it at a yet higher figure. We, like him, are advocates for peace. Nay we, like him, are advocates for "peace at any price":—only we are anxious to have the article we bargain for; while he, as it appears to us, is either indifferent to this, or blind as to the true means of obtaining it. Our ground of quarrel with him and his friends—the discrepancy between their views and ours—lies here:—that we insist upon the substance, while they would rest satisfied with the shadow; we long for a reality—they would put up with the hollow hush-money of a sham; we want solid and enduring rest—they aspire only to a temporary breathing-time and a delusive lull. In fact the title they claim—that of the Peace Party—is an arrogant misnomer to which we utterly deny their right. They are not advocates of PEACE at all:—they are simply thirsty idolators of a brief, armed, uneasy, unsound, and worthless TRUCE,—a truce which could not last because it would be based upon no natural arrangements and would include no self-supporting force.

The Economist

October 6, 1855

Letters to the Editor

Interim Report

SIR—The conclusion of the leading article in your issue of September 24th is that "all the experience of this summer suggests that it would be better to meet such a misfortune [of a balance of payments crisis] by raising Bank rate again than by using most of the other weapons that the Chancellor may find tempting to his hand."

This surely ignores the fact that the problem is not merely of the quantitative effectiveness of disinflationary weapons, but of their qualitative effects. Credit control operates mainly through reducing the level of domestic investment, short-term or long-term. Our balance of payments difficulties, however, are not due to excessive investment so much as to excessive consumption. The rise of capital investment in the course of 1954 may have contributed to the general pressure on demand, but from the long-term point of view a high level of investment is certainly to be welcomed rather than discouraged.

The advantage of using the fiscal weapon for eliminating an excess of demand lies precisely in the fact that it is capable of reducing consumption directly, whereas credit control is not. Since 1951 the level of taxation has been progressively reduced while the level of interest rates has progressively risen. If this tendency continues the danger is that we shall inevitably slide into a high-consumption and low-investment economy, with most undesirable long-run consequences on the growth of productivity and our international competitive power. Once governments are accustomed to regard Bank rate as the main weapon of short-term economic control, political pressures will force them to let up more and more on the fiscal field and to compensate for this by tighter monetary control each time the situation becomes inflationary as a result of fiscal laxity. In the long run this can only mean that while the proportion of resources devoted to consumption will get steadily larger the scope for capital investment will be steadily narrowed down.—Yours faithfully,

NICHOLAS KALDOR
King's College, Cambridge

[Mr Kaldor's problem is certainly a very real one. It can hardly be discussed in a footnote, but the following points may be made with dogmatic brevity:

1. Bank rate affects long-term investment less, and current consumption more, than might be supposed at first glance.
2. In any case investment must be limited to the national savings.
3. To try to increase the rate of national savings by running a large budget surplus is certain, in a democratic society, to be self-frustrating.

4. If the budget surplus is created by increasing an already intolerably heavy burden of taxation, the frustration—and the inflation—will come the more quickly.

5. The only way out is more private savings, either by the "ploughing back" of existing enterprises or by greater personal thrift.—EDITOR.]

★

SIR—Before you write your Final Report can you be persuaded to make explicit the precise mechanism by which Bank rate achieves the results which you claim in your Interim Report of September 24th?

The only mention of mechanism in that article is the paragraph in which you explain that the "traditional way in which a tighter money policy is supposed to work" is through a squeeze on bank liquidity. Exactly so: it is this which causes the contraction; Bank rate is a concomitant, not a cause. Yet throughout your article you persist in ascribing the results of a credit squeeze to Bank rate.

This hair must be split. The failure to do so has greatly contributed to the growth of a widespread Bank rate myth. In January the Chancellor was clearly a victim, but his resort to directives may indicate his subsequent disillusionment. Such disillusionment (and the directives) would have been quite unnecessary had official policy concentrated on the size of the credit base (your "traditional way") instead of concentrating (as you do in your article) on the level of Bank rate.—Yours faithfully,

W. T. NEWLYN
The University, Leeds

Facing the Future

SIR—In your issue of October 1st you say "The Conservatives have a briefing staff separate from the planners. . . ." This is not so. It was broadly true until 1948 but has not been the case since.

The Conservative Research Department in its present form is the result of the amalgamation, in the autumn of 1948, of three then separate departments of the Party Headquarters—the Research Department (long-term), the Parliamentary Secretariat (day-to-day briefing) and the Information Department and Library of the Central Office. Since that amalgamation specialisation in the Research Department has been by subject and not by function. That is to say, the officer responsible for a particular subject or group of subjects is responsible for both the long-term and the short-term aspects of the work.—Your faithfully,

MICHAEL FRASER
Conservative Research
Department, S.W.1

Black Market in Cars

SIR—May I be permitted to express my deep dismay at the smug complacency evinced by Mr W. L. Ricketts. Shoddy workmanship and poor finish in British cars? Why worry? They "seem all to be covered by the manufacturer's guarantee." But it is just these defects which are losing us our export markets in cars, and which would lose them even faster in a general world recession. A friend just home from Sweden tells me from her own experience of the growing dissatisfaction with the poor quality of the popular British cars, a dissatisfaction the effect of which can be seen in the recent sharp reduction in the percentage of total car sales in Sweden falling to British makes.

Perhaps this dissatisfaction is also "covered by the manufacturer's guarantee"?—Yours faithfully,

A. HUGHES
Stapleford, Cambridge

★

SIR—As manufacturers within the motor industry, we heartily agree with Mr Ricketts's sentiments in regard to the importance of the export trade and, in our field, we are indeed most active in our efforts to encourage overseas orders.

At the same time, we are most concerned to see the complacent attitude taken by Mr Ricketts in regard to "the regrettable defects" found in a brand-new British product. While these may well be covered by guarantee, the inconvenience and annoyance caused to users by such defects are contributing increasingly towards bringing British products into disrepute abroad. Even where guarantee claims were fully met, we know of at least one case where a large Swiss operator refused to place further orders because of "silly troubles" in the first three months.

These little defects may well have very serious results on our export position where we are in competition with countries such as Germany, where more attention is paid to detail.—Yours faithfully,

H. W. HEYMAN
Smith's Delivery Vehicles, Ltd.,
Gateshead-on-Tyne

New Broom in the Highlands

SIR—In your article of September 10th you overlooked the underlying principle involved. The question is whether to abandon the crofters' future and increase afforestation by far larger proportions than anyone has so far had the courage to propose or to subsidise the crofters still more so that their way of life and traditions may continue. In other words, economic reality is matched against sentimental loyalty and affection. One thing is clear: so long as compromise abounds neither out national resources nor our indigenous Highlanders will prosper.—Yours faithfully,

Peterborough P. J. M. McEWAN

Books & Publications

The Process of Growth

THE THEORY OF ECONOMIC GROWTH.

By W. Arthur Lewis.

Allen and Unwin. 453 pages. 30s.

THIS is an extremely important book. The critic may, and indeed must, pick some holes in it; its author is the first to acknowledge that it defies most of the decencies of specialisation; and it will probably annoy a certain number of people. It belongs, however, to that rare class of work, one that fairly and squarely fills an urgently felt want.

In the rapidly growing literature of economic growth there has hitherto been lacking any single work, authoritatively but untechnically written, to which the general reader could turn for light. There have been special and general historical studies, strictly theoretical economic analyses, statistical surveys, methodological critiques, case reports from particular regions, and pieces of special pleading. But no one has yet, at the commonsense level, brought into relation the various elements of that complex social-political-psychological-technical process whose end product, in the field of measurable economic events, is an increase in output per head. The lack is not surprising; for it takes a good deal of courage to jeopardise a scholarly reputation by so drastically eclectic a venture. Climate; religion; political institutions; mores; technical coefficients; the educational process; public finance; invention; investment; class structure; credit; international trade and relations; collective and individual initiatives; demographic trends; land tenures; migration; this list of topics by no means exhausts Professor Lewis's subject matter. His own comment, in his preface, cannot be bettered:

Maps are published in many different scales, for many different purposes. The articles in a technical journal correspond to a scale of an inch to the mile. This book is on a scale more like an inch to a hundred miles; this, too, should have its uses.

The metaphor can be carried farther. Mr Lewis supplies the sketch-map, based partly on personal observation both of advanced and of undeveloped economies (many readers will remember his admirable report of 1953 on "Industrialisation and the Gold Coast"), partly on wide reading, and marks the chief lines of communication and dangers to navigation; he does not try to predict the journey. Here are certain institutions, here the attitudes and beliefs which have given rise to them; behind

these again the interplay of earlier institutions, earlier beliefs and attitudes, material conditions, natural settings. These favour, hamper, or variously shape economic growth; and economic growth reacts on them in time, altering environments, institutions, and morality itself. There are no predestinate grooves to be followed. Mr Lewis totally rejects determinism, and has indeed a refreshing respect for the power of individual leadership to shape events. There are, however, possibilities and impossibilities, congruities and incongruities; and it is the confrontation of these, the practical interpretation of various relevant national experiences all over the world and throughout history, the sorting out of common factors and their examination in the light of today's conditions, which makes "The Theory of Economic Growth" a working hand-book for statesmen as well as a detached study.

The practical recipes vary, as one would infer, according to circumstances. In almost every case, however, the prescribed take-off mechanism is the raising of agricultural productivity, especially by agricultural education. To convert the productive power thus generated into a harmoniously growing complex of investment, to construct as it were an economic breeder-reactor, calls for a nice judgment of priorities—on social as well as on immediate economic grounds Mr Lewis gives a warning against a dash for industrialisation insufficiently matched by progress in housing, public works and technical training—for a realistic use of foreign capital, technical expertise and *entrepreneurship*, and for a tough and skilled fiscal and monetary policy.

On this last point, Mr Lewis's prescriptions are less convincing than elsewhere; for he shows a complacency about inflation that is both economically and politically unjustified. He claims that inflation undertaken for productive purposes is reliably self-liquidating; which begs the whole question whether projects and their timing can be rationally planned without a reliable unit of account. He prescribes inflation as a means of getting resources into Government hands when political and administrative shortcomings impede a suitable taxation policy; yet those same shortcomings are no less a handicap in the dosing and control of inflation, which is politically and administratively a notoriously difficult operation.

This is one point for debate; there are others. It would be absurd to expect the advice of one man, no matter how

intelligent, humane, imaginative and well-informed, to be uniformly impeccable. But it is hard to imagine any critic failing to agree that these are the lines, and these the materials, on which debate must proceed. This is how people should be thinking in Burma and India, in the Gold Coast and in Guiana, in the cabinets of newly self-governing states and of colonial powers, at the headquarters of the United Nations Technical Agencies and of the World Bank, and at lesser centres, private and public, of power and decision everywhere. That such a claim can soberly be made for his book is the measure of Mr Lewis's achievement.

Priestley Progress

JOURNEY DOWN A RAINBOW.

By J. B. Priestley and Jacquetta Hawkes.

Heinemann. 301 pages. 18s.

NO book quite like this has been published since Smollett's "Expedition of Humphry Clinker" in 1771. The technique is the same: a travelogue in the form of letters exchanged between contrasting personalities, and in Mr Priestley's portion there is a swiftness of moral judgment and a pugnacious common sense deeply of the eighteenth century. Where Smollett travelled from Gloucester to Edinburgh and back home, Mr and Mrs Priestley separated in Kansas City, the one bound for the fleshpots of Dallas and Houston, the other for the austere antiquities of the sites inhabited in the past and today by the Pueblo and Navaho Indians. After which, the two personages—both delightfully conscious of their private relations and public stature—exchange letters and small essays on their contrasting experiences.

Mrs Priestley's sections of the book are the less challenging but the more satisfactory. Following in the footsteps of D. H. Lawrence and Ruth Benedict, she takes the high desert and mountain roads to the Mesa Verde, Zuni and Taos. She describes some of the sites with the eye of a very fine archaeologist and does a traditional set piece on one of the dances in Santo Domingo. It falls well below Lawrence's variations on the same theme, but it is done with enjoyment.

The same cannot be said for Mr Priestley's pilgrimage through the air-conditioned province of Mammon. Mr Priestley believes in tweed suits, lukewarm beer and a somewhat defiant individualism. Instead, he found multi-coloured nylon shirts, frozen martinis and a community of millionaires and public relations men wildly anxious to cohere to one another in a pattern of mass vulgarity. His reactions are sometimes funny but often superficial and exasperating in their self-righteous misery. In fact, Mr Priestley did not see much beyond what he had wanted to find and his whole trip has a curious air of wrathful unreality. The result is a portrait of Mr Priestley rather than of America's new Eldorado. His few asides on Texas politics are naive, and he nowhere seeks to understand the

peculiar nature of a society in constant and rapid upward motion.

This is a book definitely worth reading—but how about a second volume with Jacquetta Hawkes going to Dallas and Mr Priestley marooned on the Black Mesa?

Riding the Storm

DOCUMENTS ON BRITISH FOREIGN POLICY, 1919-1939: *Third Series, Volumes VIII and IX.*

Edited by E. L. Woodward and Rohan Butler.

Her Majesty's Stationery Office. 644 and 622 pages, respectively. 50s. each.

THESE volumes are devoted to British foreign policy in the Far East from August, 1938, to the outbreak of war with Germany in September, 1939. In Europe this was a period of rapidly mounting crisis, which saw drastic setbacks for British policy and ended with a startling change in it. It did not see any major shift in the Far Eastern situation or any reformulation of the British attitude to the Sino-Japanese war, the issue that overshadowed British Far Eastern policy. The story is one of slow but continuous deterioration in the prospects of safeguarding British interests in China against Japanese inroads; of helpless inactivity alternating with useless activity on the part of the British Government and its ambassadors in China and Japan.

The immediate reasons for Great Britain's helplessness in the face of events were, as is stated by the editors in their preface to the first of the two volumes, and as is apparent in almost every document, the existence of a threatening situation in Europe, the military unpreparedness of Great Britain and the guarded attitude of the United States in the Far Eastern crisis. Hamstrung on all these counts, the British Government could only hope, as it had hoped since 1931, that the Sino-Japanese war would peter out or that some opportunity would offer itself for mediation to bring it to an end. Nursing these hopes, the Government played for time by being firm but conciliatory towards Japan, sympathetic but unhelpful to Chiang Kai-shek. But this policy only reaped, in the words of the British Ambassador at Tokyo, "the worst of both worlds—in Japan by creating the impression that we are doing more for China than is actually the case, in China because kind words are not followed by good deeds." And the hopes on which it was founded were ill-placed. Increasingly after the summer of 1938, unreason and extremism came to the top in Japan's China programme; and the threat that Japan would force China to accept a Sino-Japanese bloc to exclude all foreign interests, or that China, if it continued the struggle, would fall increasingly under Russian influence, loomed ever larger on the horizon.

Japan was encouraged on its course as much by British weakness in Europe as by British helplessness in the Far East. But if the Munich settlement

helped to convince Japan that aggression would pay, it does not follow that a European war over Czechoslovakia or continuing tension in Europe, following a German setback at Munich, would not have presented Japan with equal opportunities. On the contrary, it is clear from the second of these volumes that Japanese pressure on Great Britain only increased after the spring of 1939, when Great Britain abandoned appeasement in Europe and a German war became more imminent. Great Britain's attitude in Europe was in any case influenced by its inability to defend its interests in the Far East, as its attitude in the Far East was affected by its fears in Europe.

Underlying the immediate reasons for British helplessness in the Far East—the real explanation of the vicious circle that was set up between weakness there and weakness in Europe—was the relative decline in the British world position that had been taking place slowly for fifty years. It was only one of the consequences of this process that, to quote an Admiralty letter which is given in the appendix to Volume VIII, "it will . . . never be possible . . . for this country to build and maintain a Fleet equal or comparable to the combined strength of those [of Germany, Italy and Japan]. . . ." Another of the consequences was that Japan had acquired strategic control of the Far East by 1918. Given that control and the situation in China, there were bound to be far-reaching changes in the Far East. Given the great extent of its Far Eastern interests up to 1918, Great Britain was bound to suffer from those changes, at least until the United States would come forward to fill the vacuum created by British decline. In the intervening years Great Britain was riding the storm and could do no more.

Unwise Elevation

ALFRED AUSTIN, VICTORIAN.

By Norton B. Crowell.

Weidenfeld and Nicolson. 296 pages. 18s.

WHEN Tennyson died in 1892 the laureateship proved difficult to fill. Morris indicated that he would refuse it; and the Queen, who regarded the office as one in her personal household, objected to Swinburne, whose early poems had been immoral, and who had even written against the Emperor of Russia. Mr Gladstone, apparently advised by Jowett, was disposed to let the appointment lapse. But this sagacious policy was abandoned by Lord Salisbury, whose choice fell upon Alfred Austin in 1896. If there was any element of cynicism in the decision, it was promptly punished. Austin celebrated his elevation by printing an absurd copy of verses on the Jameson Raid. The Queen was disturbed. Salisbury, although careful not to read the effusion, had to admit having "heard it condemned by many persons, both from a political and literary point of view." After Tennyson, after Wordsworth, after Southey—an uninspired

SURVEY OF INTERNATIONAL AFFAIRS 1939-46

The Far East 1942-6

by F. C. Jones, Hugh Borton and B. R. Pearn

The history of the peoples of Eastern Asia and the Pacific from the date of the Japanese attack on Pearl Harbour in December 1941 to the surrender and occupation of Japan is covered in this volume. It was a period which saw the growth of nationalist movements throughout the Far East, movements at first encouraged by the Japanese and, after their defeat, by Communist influence. (Published on behalf of the Royal Institute of International Affairs.) 60s. net

The Bent World

A CHRISTIAN EXAMINATION OF EAST-WEST TENSIONS

by J. V. Langmead Casserley

Dr. Casserley begins this book with a summary of Russo-Marxism and explains the reasons for its wide-spread appeal. He then examines the characteristic weaknesses of the kind of secularized thinking which so often attempts to answer the Marxist challenge, and he concludes by stressing the central rôle of traditional orthodox Christianity in this situation. 21s. net

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fect, perhaps, but a capable man of letters—it was all a sad come-down.

Austin, in fact, both as man and writer, was negligible in every way. There is nothing to remember him by except a number of mildly entertaining stories, most of which will be found duly embedded in Mr Crowell's competent but rather solemn book. In conversation, Austin had invariably addressed his predecessor not as "Tennyson" (or even "My lord") but as "Bard" or "Immortal Bard." He expected something of the same respect when his own turn came—for had not his appointment been, in his own words, "a very simple matter," just the recognition that he was "at the head of English literature"? He took his inspiration very seriously (it figured regularly in his table talk as "It") and when grammatical mistakes in his poems were pointed out to him, he would say piously: "I dare not alter these things; they come to me from above."

As was inevitable, Austin's elevation attracted ridicule which in an obscure station he would have escaped. Much of this was cruel. But happily no pathos appears to attach to his figure. He was armoured in an invulnerable self-conceit, and lived to a serene old age, a happy and successful man. Wilfred Scawen Blunt ("Wilfred S. Blunt" to Mr Crowell) called him "an absurd little cocksparrow." Even if this is unjust, Austin was clearly in no substantial sense a representative Victorian. The elaborate setting—social, political and literary—which is here provided for him is somewhat in excess of his deserts.

Advance in Automation

AN INTRODUCTION TO PROCESS CONTROL SYSTEM DESIGN.

By A. J. Young.

Longmans. 395 pages. 42s.

THIS is a technical book of more than technical importance. Automatic control systems are very widely used in process industries such as chemicals and oil, but still mainly on the empirical basis of "cut and try." Automatic control in mechanical and especially electrical engineering, on the other hand, is based upon an extremely well developed foundation of theory. In spite of the talent and "hunch" good engineers can apply, there are obvious limits to the development that can be based upon empiricism alone; and this book is an attempt to provide process control engineers with an adequate basis of theory on which to develop their work—"to substitute intelligent thinking for rule-of-thumb methods in everyday plant problems."

The rather lopsided advance of theory and practice in the different fields of "automation" results partly from the emphasis placed upon the study of servo-mechanisms, and electrical communication by defence demands during and between two wars. But there is a more important reason for it: the characteristics of a machine or an electrical system

that their control engineers need to govern are readily measurable and predictable. Those of chemical reactions taking place in a succession of pressure vessels, stills, and heat exchangers, are not; indeed, the control engineer has often to identify the characteristics that are really significant in a process before measuring and steadying their fluctuations. A systematic quantitative study of the characteristics of chemical processes, providing full data for calculating most favourable operating conditions, is still in its early stages—the Central Instrument Laboratory of Imperial Chemical Industries, of which the author has been the head since 1946, is a pioneer in the field.

Meanwhile, Mr Young argues persuasively, the limitations of the data practically available should not preclude a logical approach to the application and design of process control systems: and it is such an approach, in comparatively simple language and drawing always upon the problems that the control engineer meets in practice and the tools he has to work with, that he presents in this book. Its general importance lies in reducing as much as is now possible the empiricism that has until now weakened this field of applied science. The advance of scientific knowledge, it has been said, consists in reducing empiricism.

Fiction Across the Channel

THE CONTEMPORARY FRENCH NOVEL.

By Henri Peyre.

Oxford University Press. 379 pages. 30s.

THERE are few things more difficult in literary criticism than to attempt to survey and assess the value of works by living writers. The problem is, perhaps, particularly difficult in the case of French contemporary writers, for the unprecedented experimenting in fiction that has taken place in the past three decades in France makes it almost impossible for the critic to formulate an enduring standard. Few critics are better qualified than M. Peyre, who is Sterling professor of French at Yale, for the formidable task he has set himself. Encyclopaedic learning and lucidity of thought are two of his advantages; yet they do not cause him to underestimate the obstacles in his path. He emphasises the need for courage, then displays it; his convictions are strong and he is insufficiently timid to be deterred from expressing them.

It would be pleasant to register wholehearted agreement with all M. Peyre's views. But so subjective is one's appreciation of fiction, and so fickle are the changes in public taste, that it is impossible not to dispute some of the writer's judgments. M. Peyre's outlook seems to be circumscribed by two propositions: that intellect, more than any other factor, determines the permanence of a novel, and that enduring fiction is unlikely to be found in the lists of best-sellers. This is not to suggest that an absence of intellect is desir-

able; merely that other qualities, such as observation, sympathy and perhaps even the outmoded virtue of narrative power, may be more important in the long run. As for best-sellers, while it would be foolish to assert that they automatically qualify as literature, it is as well to remember, with Mr Somerset Maugham, that few literary survivals failed to sell well in their own day. It is probably these propositions that cause M. Peyre grossly to underestimate the work of Simenon (whom he accepts, by inference, as "French") and, apparently, to omit all mention of Maxence van der Mersch.

Allowances must therefore be made for a point of view that many readers will reject, even if, proportionately, as many professional critics approve of it. And if such allowances are made, it must be admitted that M. Peyre has performed a feat of some magnitude. There is an admirable breadth about his work, and a sense of historical perspective, of the continuity of literature, that indicate a love of his subject which parallels his scholarship. His analyses of the major works of Mauriac and Malraux, probably the two giants of the period under review, are as penetrating as they are dispassionate. And although some of the omissions are curious, the book includes a useful alphabetical list of important French novelists, together with the titles of their works, and particulars of English translations. It may seem carping to and that much of M. Peyre's English, though always perfectly intelligible, reads like translated French.

Books Received

THE GREAT CRASH 1929.

By J. K. Galbraith. Hamish Hamilton. 186 pages. 12s. 6d.

The American edition of this book was reviewed in our issue of May 14, 1955.

SEAFARERS AND THEIR SHIPS: *The story of a century of progress in the safety of ships and the well-being of seamen.* Her Majesty's Stationery Office. 96 pages. 3s. 6d.

CAPITAL FORMATION IN CANADA 1896-1930. By Kenneth Buckley. Toronto University Press (London: Geoffrey Cumberlege). 173 pages. 26s.

BRITAIN AND THE BRITISH PEOPLE: 2nd edition. By Ernest Barker. Oxford University Press. 186 pages. 12s. 6d.

KONSTAM ON INCOME TAX: *Cumulative supplement to 12th edition.* No. 4. Stevens and Sons. 81 pages. 7s. 6d.

A HISTORY OF COMMERCE. By Clive Day. Longmans. 703 pages. 27s. 6d.

The fourth revised edition of this book, first published in New York in 1907, is now available in this country.

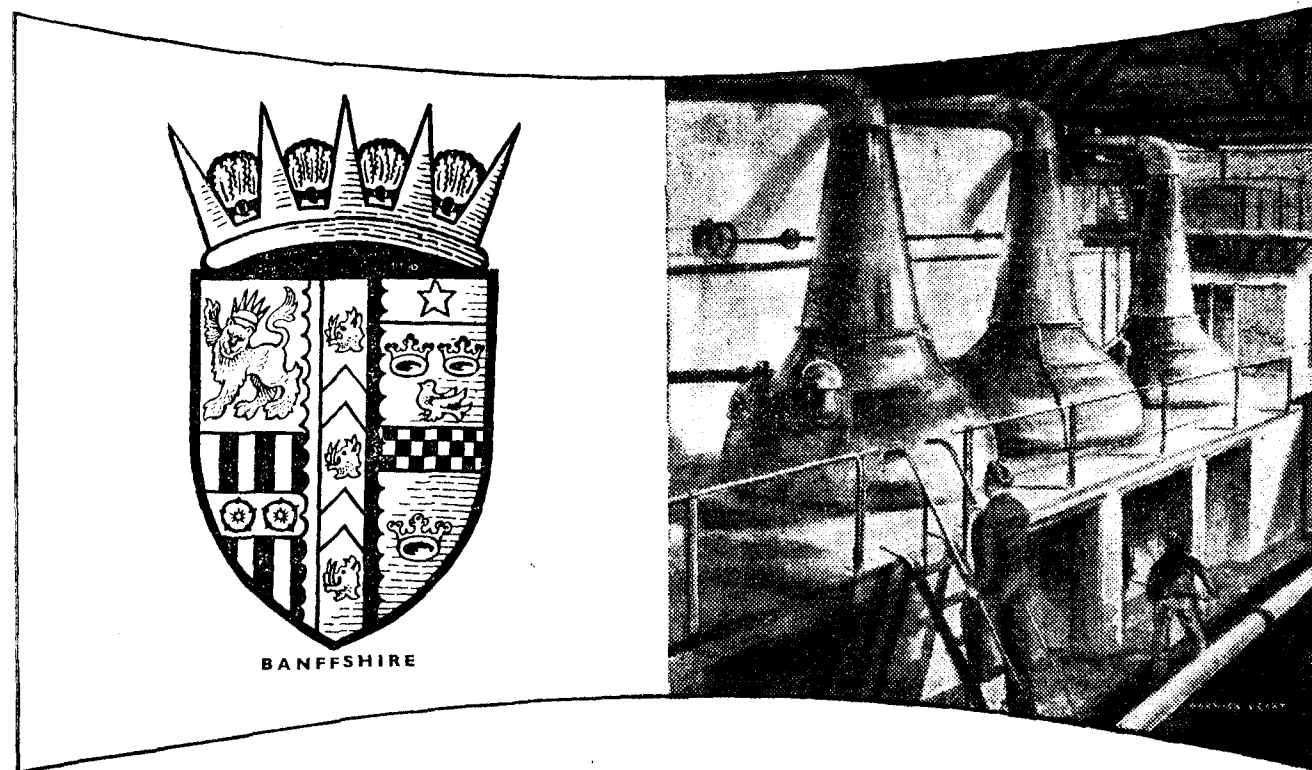
LANDMARKS OF ECONOMIC THOUGHT. Second Edition.

By John M. Ferguson. Longmans. 320 pages. 25s.

First published in New York in 1938, now available in the United Kingdom.

SPECIALISTS' GERMAN VOCABULARIES. By Kenneth Black. Pitmans. 189 pages. 10s. 6d.

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American Survey

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

Admiral in Atomic Seas

Washington, D.C.

THE voyage of Admiral Lewis Strauss through the uncharted reefs and shoals of his course as chairman of the Atomic Energy Commission seems to be going a little more smoothly. The impression given by the gathering last week in Washington of the leading American industrialists interested in the "atomic art" is that a useful partnership is being forged between private and public enterprise. Although there are still symptoms of the admiral's obsessive regard for secrecy—such as his wry remark that Russian scientists seemed to manage very well behind a complete security blackout—a greater geniality has been observed at the commission since the atomic conference at Geneva showed how few secrets there really were. Even the time-lag between the snappish complaints about the dilatoriness and obscurity of the commission's policies, which come from time to time from Senator Clinton Anderson, the Democratic chairman of the Joint Congressional Committee on Atomic Energy, and the taking of remedial steps by the commission has been reduced, sometimes to a matter of days.

This improvement in mutual confidence, which may not of course survive the committee's next hearings, is up to a point very welcome. It had been the normal condition under the predecessors of Admiral Strauss and Senator Anderson, when a truly bi-partisan committee worked in the closest harmony with the commission. Unfortunately the admiral has been involved, almost from the moment he took the chairmanship, in a number of highly controversial actions, which included the suspension of Dr Oppenheimer and culminated in the unfortunate Dixon-Yates electricity contract. His difficulties have been due partly to his own rather uncompromising personality and partly to the fact that, in addition to being the chairman of a five-man commission, he is the President's personal assistant on atomic matters. This gives him a political role which is not shared by his fellow-commissioners. The suspicion has been germinated, especially by Mr Thomas Murray, a Democratic member of the commission, that Mr Strauss decides in his lone capacity many matters that should properly be decided collectively. This, for example, explains the rider attached to an appropriation Bill in the last session of Congress which guarantees to each commissioner equal access to all the papers of the commission.

But there are good public grounds for changing the relationship between the commission and the committee now that they are no longer merely a complicity of two groups of men with sealed lips. The commission, besides

remaining responsible for the production of nuclear weapons, is now the regulatory agency for a new civilian industry in which it must itself to a large extent still participate. It thus becomes the committee to maintain a certain detachment as the guardian of the public interest. It is a good sign that, instead of confining itself to treading on the commission's corns, the committee is launching a long-range study of the social and economic effects of the growth of the atomic energy industry; but it is rather alarming to discover that the expert panel is expected to report within four months.

★

The pattern of atomic development revealed by last week's convention of the Atomic Industrial Forum, coinciding with the first Atomic Energy Trade Fair, was not new. Since atomic power will not be competitive with conventional sources of fuel as soon in the United States as it will be in some other parts of the world, the Americans feel they can afford the luxury of experimenting in five different directions before settling on the type of reactor which will produce electricity most economically. They have also turned their backs on the idea of "dual purpose" reactors, which yield much more exciting figures for the cost of power because they also produce plutonium for weapons, which is bought by the government at high prices. The commission decided at an early stage that this kind of reactor, despite its superficial allure, was not the most efficient technically for producing power and that, by distorting the economics of electricity production, it withheld from private enterprise the full incentive to bring down costs.

The really hopeful development since the AEC issued its new regulations under the 1954 Act has been the willingness of private capital to make long-range investments, largely for the sake of gaining experience, since there can be little immediate economic return. Of the five types of reactor being tried out simultaneously, two are being developed on the old-fashioned cost-sharing basis—a pressurised water reactor by the Duquesne Light Company of Pittsburgh, which will be the first large-scale nuclear power plant in the country, and an experimental reactor, based on the concept of graphite moderation and sodium coolant, which is being built by the North American Aviation Company in California.

But private enterprise in a much more real sense has been stimulated by the demonstration programme, in which firms



The Jester gets a new look

SEEING THE FUNNY SIDE

British fads, frailties and institutions have, in fact, provided the Rank Organisation with material for comedies quite unlike those produced anywhere else. They have been the source of a distinctively fresh approach to this type of screen entertainment—with themes ranging from the antics of medical students to those of veteran-car enthusiasts.

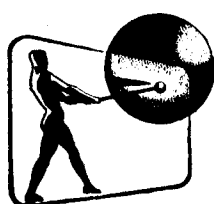
Some have thought that subjects so typically British would not find a welcome overseas. But resounding success the world over for such films as *GENEVIEVE* and *DOCTOR IN THE HOUSE*, shows that these bright and original comedies are record-breakers wherever they are shown.

MOTLEY MADE TO MEASURE

The latest in a brilliant line of comedies which started with Ealing Studios' *PASSPORT TO PIMLICO* and *KIND HEARTS AND CORONETS*, is *TOUCH AND GO*, starring Jack Hawkins in his first comedy role. This too finds its humour in the milder forms of British eccentricity, and like many Rank Organisation comedies was specially written for the screen: in this case, by William Rose, who wrote the script for *GENEVIEVE*.

In its search for ingenious themes and its use of local colour, the Rank Organisation has given a refreshing new look to British film comedy: an amusing slice of the British way of life to be relished both at home and in an ever-growing market throughout the world.

THE RANK ORGANISATION



were invited to develop, build, operate and own large scale reactors, with the commission contributing free use of nuclear materials and its own laboratories and helping with the financing, provided some real scientific gain was in prospect. Under this scheme the Detroit Edison group is going to build a fast breeder reactor of 100,000 kilowatt capacity, which can be integrated into its service area by the end of 1959. Finally, three firms have spurned all public props and have applied for licences to build reactors which will be financed entirely from private funds.

Anticipating trouble from his political inquisitors if only the largest private utility companies have a foot in the atomic door, Admiral Strauss has now called for a "second round" of the demonstration programme, under which partnerships will be set up to develop power plants of between 5,000 and 40,000 kilowatt capacity. In particular this may give a chance for rural electrification co-operatives and other politically vocal advocates of publicly owned electricity undertakings to grasp the share of the atom which their champions have been clamouring for in Congress.

While private industry does not expect to get much return on its immediate domestic investment in the atomic future (and for every firm that it is actually building a reactor there are a dozen which have set up an "atomic division" so as to keep in the swing), it does have considerable confidence that the export trade will tide it over the interval during which the really economic reactor for American conditions is being found. For this reason two assurances given by Admiral Strauss in his press conference on Monday have been extremely welcome to the developing private industry. One is that Americans are now completely free to carry on business in atomic energy abroad without approval from the AEC, so long as they are not dealing in secret information. The other is a rather vague promise that America's foreign customers can rely on getting a fair share of enriched uranium fuel if they invest in American reactors.

But the admiral's most important contribution on Monday was to dispel some of the mystery about a development that was beginning to worry American businessmen and investors. This is the application of the principle of the hydrogen bomb to peaceful uses. Admiral Strauss confessed that, until the Indian chairman at Geneva broke the news, he had intended to keep this quiet. Now that it had come out anyway, he did his best to reassure those who have invested heavily in atomic fission by predicting that every dollar now being put into reactors will be amortised before the forces of atomic fusion can be harnessed for commercial purposes.

Marking Time

PRESIDENT EISENHOWER has begun to sign papers again and the official Assistant to the President, Mr Sherman Adams, is keeping the Denver hospital room in touch with Washington. There the Vice President, Mr Nixon, is presiding over Cabinet meetings, but he himself emphasises that no new policies need to be decided at the moment. It is now quite clear that, when decisions do have to be taken, they will be made wherever the President may be, provided his condition does not deteriorate. The military staff arrangements and the system for delegating

authority which Mr Eisenhower himself introduced into the presidential office have now come into their own. The practical political effect of this is that Mr Nixon has not yet been singled out as Mr Eisenhower's inescapable successor.

Whether Mr Nixon will be so singled out is doubtful, even though at the moment he is the most obvious Republican candidate for next year's presidential nomination. He is a controversial figure in his own state, California, and cannot guarantee the united support of his own party there; even more important, his name is anathema to the political independents and the Democrats who voted for Mr Eisenhower in 1952. Without their votes the Republicans can hardly hope to win an election and so far they have no candidate in sight who can approach Mr Eisenhower's appeal. The professional politicians are now claiming that he may stand again in spite of his illness and that there is as yet no need to consider any alternative. This sounds like whistling in the dark, but it is in fact something much more practical. The Republican leaders are playing for time in which to catch their breaths and to search for a new candidate who can make the best of what has suddenly become a very bad job.

The search may still be going on when the nominating convention meets next August, but at least the Democrats are in similar difficulties, although with a more hopeful prospect ahead of them. Their strategy for 1956 has been shattered too, and it is equally doubtful who will be at the centre of their pattern when it is re-formed. There is as yet no certainty that it will be Mr Adlai Stevenson, even though last week he had all the look of a focal point when he conveniently found himself consulting his party's two congressional leaders in Texas, where they both live and where there is strong opposition to Mr Stevenson within the official Democratic organisation.

Prosperity Carries On

THE fever chart of the New York stock market has been far more alarming than that of the distinguished patient in Denver, but with far less justification. Faced with the announcement last Monday that President Eisenhower was "a little tired," investors promptly took fright and a flurry of selling cost the market an estimated \$4 billion. On Tuesday, however, a reassuring medical bulletin restored confidence to a large extent and a third of the decline was recovered. In judging the market's reactions, it should be borne in mind that, on the Friday before President Eisenhower's sudden illness, the average of industrial stocks stood at its highest level in history; this meant that the market was extremely vulnerable to any sudden bad news and that many investors were expecting a downward movement or, at least, a levelling off.

But it would be extremely premature to suppose that the present flurries, which are so obviously psychological reactions to the President's daily state of health, will result in a major break followed by a general economic recession. In fact, all available evidence points to the contrary and it is being realised that Mr Eisenhower's illness does not affect the soundness of the economy. Numerous corporations have announced that they are going full steam ahead with



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their expansion programmes; among the more spectacular are a \$350 million re-equipment plan announced by Eastern Airlines and the Ford Motor Company's decision to spend half a billion dollars in 1956 on expanding its productive capacities. Mr Henry Ford's words could serve as a summary of the mood of most businessmen:

The President's illness is a matter of personal concern and regret to me, as it must be to every American, but in no way does this misfortune affect the confidence of myself and my associates . . . in the basic strength of the nation's economy.

Behind such sentiments, moreover, there is a shrewd appraisal of political realities. After an initial psychological shock, businessmen and investors tend to realise that a Democratic Administration, with its preference for easy money policies and lavish public spending, would be as good for business, if not better, than a Republican government. In fact, the grain markets shamelessly advanced on the news of the President's illness; the view was taken that a Democratic victory in 1956 would probably mean a return to a policy of high and rigid price supports for agriculture.

Crowded Court

THE political spotlight was focused on the Supreme Court as it reconvened this week both because the Chief Justice, Mr Warren, has, against his own express wish, become a favoured possibility for the Republican nomination for President in 1956, and because several of the 700 cases pending before the Court involve important political and economic questions. The case that has, perhaps, aroused the widest interest concerns the constitutionality of the Subversive Activities Control Act of 1950 and the Communist Control Act of 1954. Another case full of political implications entails a ruling on whether the federal government or the State of Louisiana owns the rich oil deposits between the three-mile and the ten-mile limits on the continental shelf beneath the Gulf of Mexico.

In the field of anti-trust legislation the Court will be asked to decide on one of the major contests between the Department of Justice and a giant of private enterprise. The government has appealed against a lower court's dismissal of the case brought against the du Pont Company on the ground that its ownership of 23 per cent of General Motors stock constituted effective control of that corporation and a restraint of trade. But whatever success the government achieves against du Pont may be more than offset by two Red Indian tribes, the Otoe and the Missouri. Supported by the lower courts, the tribes claim that their ancestors were grossly underpaid for land granted to the government in 1880. Should they convince the Justices, the Department of the Interior may face the Treasury with the grim prospect of re-purchasing literally hundreds of millions of acres from other tribes eager to take a war-path to court.

Assailed by such conflicting interests, the Justices will not forget that

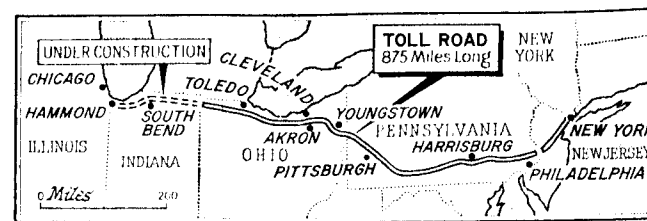
most of the occasions when the Supreme Court has come into virulent conflict with public opinion were those in which the Court disregarded its subtle tradition against needlessly pronouncing on constitutional issues.

These words were spoken by Mr Justice Felix Frankfurter in his distinguished address at the recent bicentenary celebrations for John Marshall, one of the early and most influential Chief Justices. Yet Mr Frankfurter would be the first to feel that fear of hostile opinion should not in any way prevent the Court from clarifying constitutional intent in such vital matters as civil liberty or the rights of individual states.

Turn for Turnpikes

THE opening of the 240-mile long Turnpike across Ohio leaves only two links to be completed—the Indiana Toll Road and a bridge over the Delaware River between Pennsylvania and New Jersey, both supposed to be finished in about a year—before the motorist will be able to drive from New York to the suburbs of Chicago without stopping except to pay \$9.95 (£3 11s.) in toll charges. On the Ohio section even this delay is being cut to a minimum by new electronic devices; here, too, the danger of hold-ups from accidents, for which some other toll roads are notorious, has been lessened by special safety precautions, notably by an unusually broad centre strip between the two roadways, each 24 feet wide.

Plans for toll roads have gone on sprouting all over the country this year in spite, or perhaps because, of the arguments in Congress over federal aid for ordinary free-for-all highways. There are now nearly 2,000 miles of toll road



in use and nearly as many again under construction; another 5,000 miles have been proposed. Some of the plans may, however, be stunted by the rising cost of borrowing money; already New York State has postponed a new bond issue which was to finance its Thruway. The total length of this toll road, to connect Buffalo with New York City and now nearly completed, will be 560 miles. It will have several offshoots to important centres, and Pennsylvania is proposing an even more extensive network of toll roads, in addition to its present Turnpike.

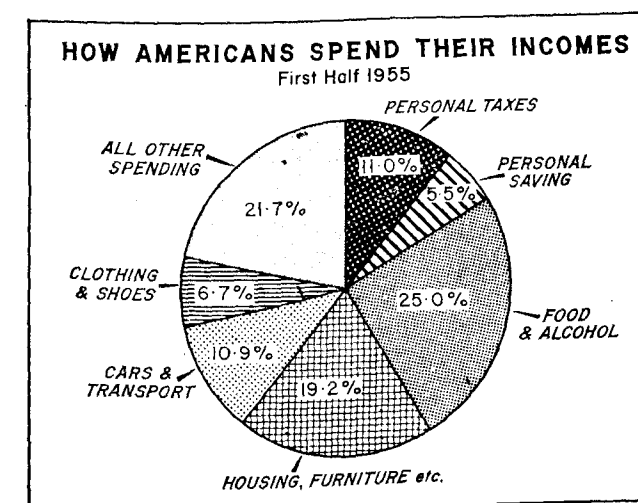
In this heavily populated, heavily industrialised north-eastern section of the country, there seems little doubt that these roads will be able to cover their costs. Individuals and companies are willing to pay substantial charges in order to avoid the delays and congestion on ordinary highways, with their crossroads and bottlenecks, and to ensure quick delivery of goods. The same considerations will probably apply to the north-south chain of toll roads being built through the middle west to connect Illinois, Iowa, Kansas, Oklahoma and Texas, particularly since here lower construction costs may make charges rather less. But the dependence of these roads on prosperity was illustrated in

1954, when a decline in receipts on the Pennsylvania Turnpike seemed to be the direct outcome of the economic recession. This year revenues have picked up satisfactorily here, but the new West Virginia Turnpike has discovered how much toll roads rely on lorry traffic. Private motorists appreciate the scenic beauties of this road, but commercial use has been disappointing and receipts are running below expectations.

Consumers' Boom

THE consumers who last year saved the economic recession from sinking into a slump have pushed this year's prosperity into a boom. Their incomes have risen—to an annual rate of over \$300 billion—and they are spending a higher proportion of them; personal savings had been running at over 7 per cent of income after payment of taxes ever since 1951, but they are now down to about 6 per cent, and outlays for personal consumption have gone up to a rate of over \$250 billion a year.

During the postwar period as a whole, the greatest increase in spending has been on services, which are now taking about 30 per cent of personal incomes. This is



partly because costs and interest rates have risen, but more because an improved standard of living has given people more possessions to be serviced: houses have to be painted, cars insured, washing machines repaired. Conversely, less is being spent on such obsolescent services as domestic servants, public transportation and cinema seats, which have been replaced by vacuum cleaners, private cars and television sets.

But in the past year the big increase in outlays has been on durable goods, now taking about 12 per cent of consumers' incomes. As might be guessed, the most important item in this increase has been spending on automobiles. The article in the September issue of the *Survey of Current Business*, on which much of this note is based, does not go into the inflationary effects of this type of spending; but hire purchases of cars are mainly responsible for the steady, and worrying, rise in instalment credit which has been going on since the beginning of this year. This rise was not checked in August in spite of the attempt of the

banking authorities to restrain it; at the end of that month automobile loans outstanding amounted to \$13.5 billion, 24 per cent more than a year earlier.

Prosperity has sent more consumers to the luxury counters of shops; department store sales in the first half of this year were 4 per cent above the comparable period of 1954, but the increase was proportionately much greater in sales of furniture, jewellery, sporting goods and furs. Spending on food and alcohol, now running at an annual rate of about \$77 billion, has been going up steadily and people are at last also buying clothes and shoes; expenditures on these categories have been rising much less fast than other types of outlays. In fact, manufacturers of all types of non-durable goods will not be altogether sorry when the demand for cars falls off, as it seems it must before long, for consumers should then have even more to spend on other things.

Bars Do Make Prisons

FROM A CORRESPONDENT IN BOSTON

AMERICAN penologists are becoming increasingly anxious about the postwar pattern of recurring prison riots; there have been about twenty this year, the latest at Deer Island prison in Boston. Prisoners seize guards as hostages, settlements are negotiated after a brief period of violence, an investigating committee is formed and the public becomes intensely interested in prison affairs. Afterwards a few make-shift reforms are rammed through state legislatures and public concern lapses. Penal experts, however, are proclaiming that penology has progressed to the stage where it is a recognised science which should no longer be applied in this haphazard and sporadic way.

The three nationally known penologists recently recruited by Governor Christian Herter of Massachusetts to study his state's backward prison system are emphatic in their contention that

essentially, correction should do more for the offender than was done by his community and its agencies and influences. This presupposes a well-planned programme of treatment embodying every possible use of the sciences and techniques known to the field.

Such programmes are already operating in other states and have achieved conspicuous results in California and Wisconsin.

California's success is rooted in its system of indeterminate sentencing. Californian courts do not condemn a man to a specific time in prison, but merely determine the question of his guilt and whether he should be jailed. The limits of the sentence are set by law, and how much of his term a man spends in prison is left to a panel of five carefully chosen professionals called the California Adult Authority. The institutions themselves also contrast sharply with those of most other states. Chino, California's best-known penal experiment, has no bars and its informally dressed guards carry no guns. Chino's 2,600 acres of farmland are surrounded only by a link chain fence; and yet less than one per cent of the 1,500 inmates escape. The men are taught trades and skills. A majority earn a small wage and they may finish high school and do some college

work during their term. Families are allowed to visit for four hours on Sundays and eat picnic lunches with the inmates in the grounds.

Wisconsin is regarded as a leader in prison reform because of its system of parole and probation. When a prisoner is considered ready to be sent to a minimum security unit, such as a prison farm or forest, he is, instead, put on probation. Occasionally a man with a long term will be released on parole after serving only a year of his time. This programme is administered by an experienced corps of parole and probation agents, all of whom have received a college degree in social work.

★

Decades ago, Massachusetts was in the forefront in penology and even today there is considerable pressure for reforms well beyond those that the public is ready to accept. Penal institutions are divided into three classifications—maximum, medium and minimum security. The latter are forestry camps and they in no way resemble the notorious, southern chain gangs which have almost completely passed from the scene. But although there have been no noteworthy incidents resulting from trusting prisoners out in the open, almost every community faced with the possibility of a camp being established nearby has shown opposition. Massachusetts also has an eminent penologist in Dr Miriam Van Waters, head of the Framingham Women's Reformatory, who tried to rehabilitate her "students" by allowing them to work as domestic servants in private homes. She also permitted them, accompanied by prison officers, to visit restaurants and other public places in the hope that they would become accustomed to the wise use of liberty—liberty which would soon be unlimited. Dr Van Waters was viciously attacked and, although she was completely cleared, there has been no move to permit her to continue her schemes.

The Governor's committee bluntly warned Massachusetts that if it did not shake off the "lock them up and forget them" philosophy "it will find itself eventually with an ever-increasing number of hardened and experienced criminals." Moreover, probation, institutional care and parole must be co-ordinated so that men released from institutions will be equipped to face the community and will not again become a public burden. Pointing out that 97 per cent of all prisoners will some day be freed, the committee urged the public to support a progressive programme of correction.

One reason why changes which penologists consider to be wise and safe for the entire community have not been more widespread is seen in the comment of Mr J. Edgar Hoover, chief of the Federal Bureau of Investigation. Mr Hoover and other law enforcement officials firmly oppose what they regard as "softness" toward criminals. Mr Hoover told a congressional committee that there is a great deal of concern about the fate of the criminal, but not so much concern about the seriousness of the crimes which he has committed, nor the anguish which he had caused his victims.

On the other hand, Dr Garrett Heyns, warden of Michigan State Reformatory and a former president of the American Prison Association, contends that one-third of the inmates of prisons in the United States ought to be released immediately. Another third of the prisoners, he argues, have "relatively simple problems that could be taken care of

in time" and only the final third are "hard core" and need long-term confinement. Moreover, he makes the point that it is possible to supervise five men on parole for the amount it costs the taxpayer to keep one man in prison. According to the Massachusetts investigators, the cost of maintaining a prisoner in a correctional institution ranges from \$1,000 to \$2,500 a year. The cost of an adequate and effective probation system for him for the same period was said to be between \$150 and \$250.

The Herter committee referred pertinently to many other aspects of the prison situation throughout the United States. It charged that the greatest scourge of penology is its traditional link with politics. In too many cases penal administrators are appointed for political reasons. In Massachusetts, moreover, there is a frequent use of solitary confinement in dark cells on bread and water. The committee felt that this should be discontinued and that isolation, where necessary, should be in light, well ventilated cells for a maximum of fifteen days with one full meal provided daily. In Massachusetts life term prisoners are not eligible for parole, although they are in most states.

Although it could have done so with pertinence, the committee did not compare the administration of state prisons with that of federal prisons. On the whole, federal prisons are managed by skilled personnel who are adopting practices advocated by penal reform experts. Adequate classification of criminals and their assignment to the type of institution that will rehabilitate them most effectively is the keynote of the federal system. At the state level, however, the committee's plaintive plea for public support and public education on penal questions is justified and it must be hoped that it will be heard before many more prison riots take place.

SHORTER NOTES

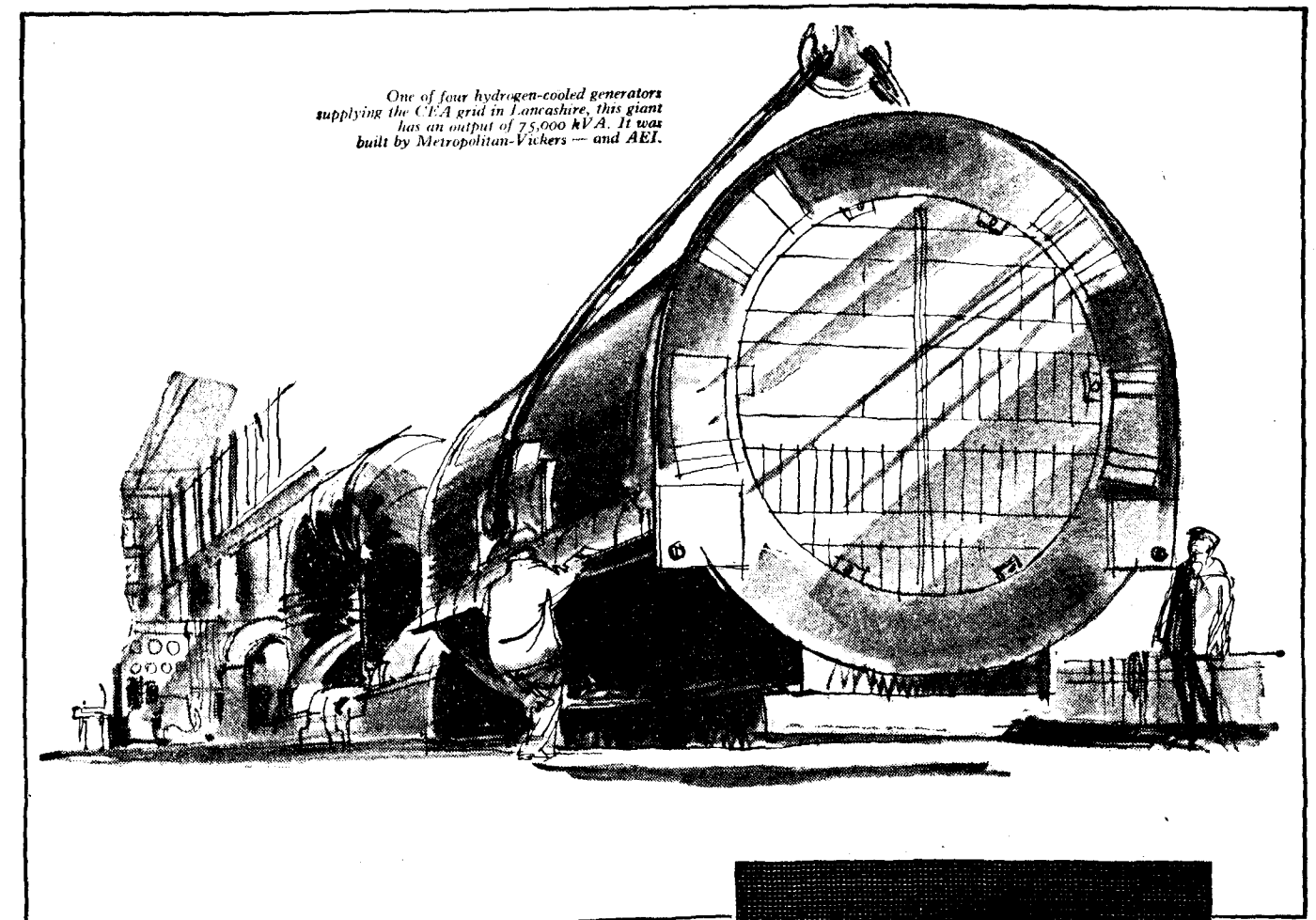
Timekeeping in the United States has for long been complicated not only by the existence of four different time zones across the huge continent, but by the fact that some states and cities observed summer, or daylight, time while others did not. This year there is a further complication, for instead of going back to standard time on September 25th, as was done elsewhere, New York, New England, New Jersey and most of Pennsylvania have extended summer time to the end of October.

★

On the basis of a report by a special consultant, the government has decided that, for two years at least, there will be more titanium available than is likely to be needed; the government has therefore suspended its programme for encouraging private industry to build more titanium storage facilities.

★

The Prohibition party is not only the oldest American third party, but also the quickest of any American party to get off the election mark; both qualities may be explained by its abstention from alcohol. It has already announced its candidates for the 1956 campaign—a retired professor for President, a retired general for Vice-President; in 1952 the Prohibitionists received 70,000 votes.



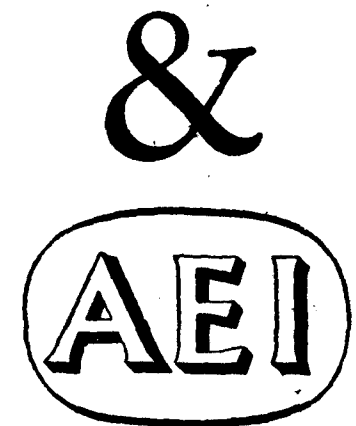
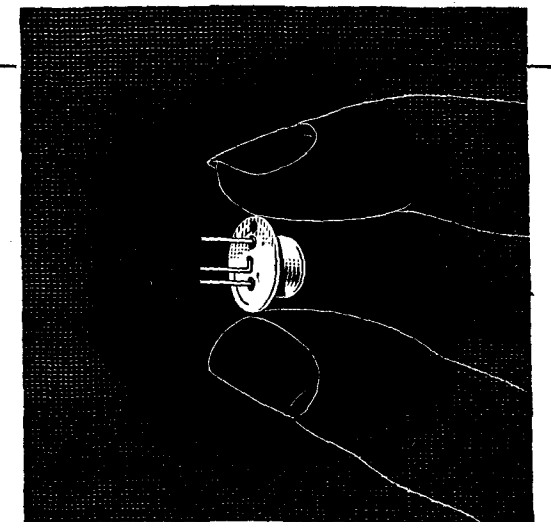
One of four hydrogen-cooled generators supplying the CEA grid in Lancashire, this giant has an output of 75,000 kVA. It was built by Metropolitan-Vickers — and A.E.I.

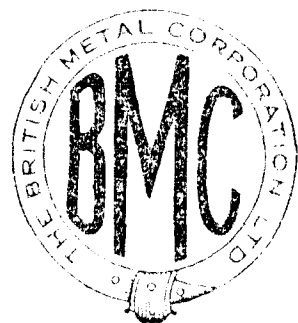
LARGE & SMALL

Electrical equipment may weigh hundreds of tons or but a fraction of an ounce. This turbo-alternator is part of an installation which covers an acre of ground, the tiny transistor barely a thumbnail. Both are made by A.E.I. companies. Associated Electrical Industries is a practical partnership of great firms collaborating in research and economy of manufacture.

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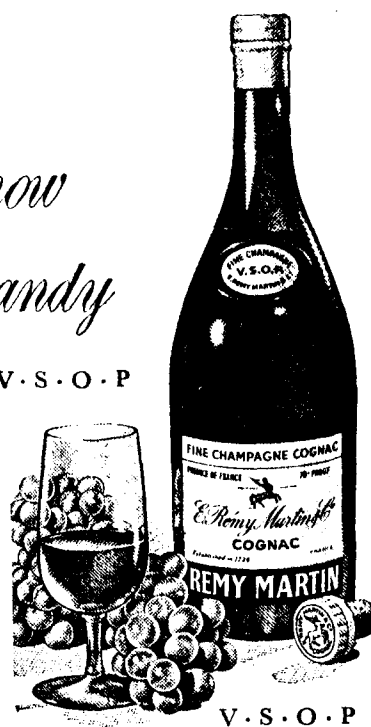
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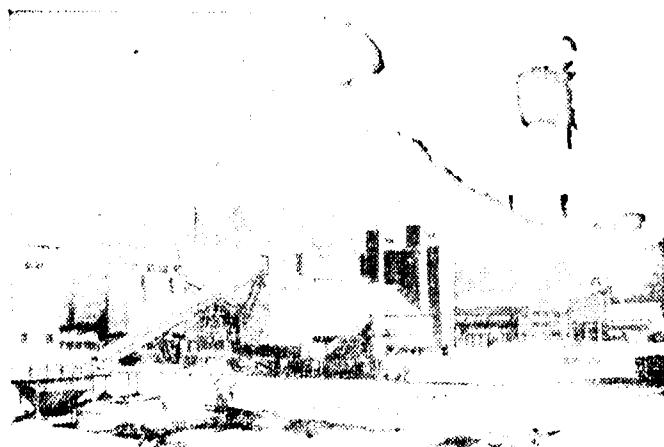
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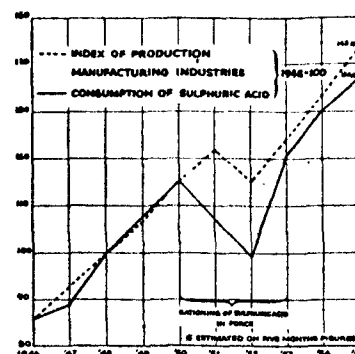
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A doubled rate of industrial productivity, which alone can make the Chancellor's prophecy come true, will require a doubled supply of sulphuric acid for British industry. To this end, new plants, such as Marchon's Solway Plant at Whitehaven, are rapidly approaching full production. The Solway Plant is already producing sulphuric acid from locally-mined anhydrite. The process has the added advantage of co-producing standard Portland cement to meet the pressing needs of housing and capital development programmes.

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AGENTS AND OFFICES IN PRINCIPAL CITIES OF THE WORLD

The World Overseas

Mr Diem Loses Favour

FROM A CORRESPONDENT IN PARIS

A CRITICAL point has now been reached in the internal politics of southern Vietnam, at a time when the Communist government in the north has been calling for observance of the Geneva agreements. The authority of the southern Vietnam government does not extend effectively over the whole of its territory. Large tracts of the countryside of Cochinchina are in the hands of the three rebel sects, the Caodaists, the Binh Xuyen and the Hoa Hao, all hostile to the government of Mr Ngo Dinh Diem. Even outside these areas there is little real security, as frequent robberies and murders show. The mass of the people in the south favour the Communist regime in the north, but for reasons of nationalistic sentiment rather than because of any doctrinaire attachment to Communism. They have been strengthened in their allegiance since Geneva by the high-handed and inept actions of Mr Diem. The kind of argument one hears is that the choice lies between an efficient dictatorship in the north and an inefficient dictatorship in the south.

When Mr Ngo Dinh Diem assumed power in southern Vietnam last year he was in a position to deal a death blow to Communism in his country. The war was over; and America offered him generous aid to repair the ravages of the civil war and to build up a prosperous state. Most of the nationalist intellectuals who had remained neutral in the Franco-Viet Minh war were prepared to give him their encouragement. Large numbers of the Viet Minh, disillusioned by the heavy emphasis placed by their government upon Communism rather than real independence and reconstruction, would willingly have supported an effective nationalist government.

The opportunity was missed. Mr Diem adamantly refused to put forward a political programme, and it quickly became apparent to all that the country would be run, not by the cabinet, but by Mr Diem's brothers and one or two of their close and trusted friends. Even the American advisers, whose protégé he was and with whose money he was paying his administration, found that he would accept little advice and no criticism. Officials and ministers were dismissed and replaced by young and inexperienced men who, on Mr Diem's own admission, were chosen because they would be "obedient."

One of Mr Diem's chief assets was his untarnished reputation for personal honesty. At last, it was said, one would see a Vietnamese government free from corruption. Unfortunately, although it has never been suggested that Mr Diem has enriched himself dishonestly, he has certainly failed to

prevent his colleagues from doing so. There have been no denials of reports alleging massive transfers of money to Europe by members of the Prime Minister's entourage.

Little headway has been made in resettling the 800,000 Vietnamese, mostly Catholics, who have come to Saigon from the north as refugees. Nearly all are still living in camps close to Saigon, where they receive a daily pittance from the government for their food and clothing. There is little doubt that they have been used by Mr Diem in well-organised "spontaneous demonstrations," and there is considerable friction between them and the native southern Vietnamese.

The ex-emperor Bao Dai has remained relatively inactive in France throughout Mr Diem's whole period of office. The enmity which exists between the two men is well known, and every effort has been made to denigrate Bao Dai in southern Vietnam. The Revolutionary Committee which was created by Mr Diem a few months ago for the purpose of removing Bao Dai from the political scene is thoroughly penetrated by Viet Minh agents, despite Mr Diem's denials. A referendum is shortly to be held to decide whether Bao Dai should be retained as chief-of-state, or whether southern Vietnam should become a republic with Mr Diem as President. Such a referendum would certainly favour the establishment of a republic.

Plots Without Plan

All shades of Vietnamese nationalist opinion are now agreed that the only hope of saving southern Vietnam from Communism lies in removing Mr Ngo Dinh Diem from office and substituting an effective nationalist government with a national assembly to control it. The advocates of such a solution are far from unanimous, however, about the means of achieving this desirable end. A number of plots are being hatched in Saigon and Paris, but there is, as yet, no indication that all the nationalists will join forces in a final effort to save their country. The three rebel sects have formed a "United Front" which is united in name only, and meanwhile the individual sects are in touch with the Communists and receiving aid from them in their struggle against Mr Diem.

Another group of nationalists is endeavouring to replace Mr Diem by Mr Tran Van Huu, a former Prime Minister who held discussions with the Viet Minh during the Geneva conference last year. This group advocates a prolonged period of coexistence between the two zones of Vietnam

and the creation of mutual confidence by inter-zonal trading—southern rice for northern coal—until the atmosphere improves enough for it to be possible to hold peaceful national elections. French influence is discernible in both of these groups. Other factions advocate the creation of a republic under the presidency of Mr Diem with a constitution which ensured that the president was no more than a figurehead. In this way, they argue, an effective nationalist government could be established while the good will and financial aid of the Americans whose nominee Mr Diem is—could be retained.

Many Vietnamese in the south have been criticising Mr Diem for his refusal to meet the Viet Minh leaders for discussions about the organisation of national elections. There may well develop a really spontaneous and massive demonstration by the people of southern Vietnam to demand elections. Mr Diem will then be faced with the choice of acceding to their demands, and certainly losing the election, or of opening fire on his own people and being overthrown by force. In either case the Communist Viet Minh will reap the rewards.

Until recently the Americans had not wavered in their support of Mr Diem. But now a wide measure of disagreement has become apparent among Americans in Saigon. One section, led by Colonel Lansdale, who enjoys Admiral Radford's support in Washington, advocates continuing support for Mr Diem whatever happens. The other section—and this has been growing rapidly larger of late—admits the failure of the Diem experiment and urges that another solution be found while there is still time.

Perhaps the only bright spot in the southern Vietnam picture is to be found in the northern part of the territory, which was under Viet Minh control during the war. The inhabitants of this area will accept any alternative to a further period of government by the Viet Minh. Reconstruction has made good progress in this region, where dams and irrigation works have recently been completed. The inhabitants did not object even when the better jobs in these reconstruction projects were, by Mr Diem's order, reserved for Catholics.

Mopping-up after Perón

THE inglorious departure for Paraguay of General Perón outwardly symbolises the end of an epoch in Argentina. But *Peronismo*, as a mechanism of autocracy and as a social doctrine, is deeply rooted in the country and it is already clear that the new regime of General Lonardi will have a long and arduous task of partial demolition to perform before new institutions can begin operating. Moreover, the successful army coup which finally sent General Perón toppling from his pedestal was a revolt rather than a revolution; it challenged a man and his more fanatical followers rather than the programme he had imposed on Argentina during a decade of autocracy. Second, it was a revolt whose success was owing, in large measure, to the fact that its adherents numbered representatives of nearly every political faction, including moderate *Peronistas*, ultra-nationalists and even certain groups whose main complaint against General Perón was his reluctance to carry *Peronismo* to its

economic extremes. These two factors necessarily limit General Lonardi's freedom of action and are bound to influence the character of the new regime.

One of the first tasks of the new rulers of Argentina is to destroy the personal myth centred on General Perón and Eva Perón. Scandalous revelations about Perón's life and loves after the death of Eva, disclosures of his private accumulations of wealth and conducted tours through his subterranean hide-away—a mixture of Hitler's bunker and the secret gardens of Sardanapalus—are all intended to convince the ordinary Argentine that he has been deceived by a corrupt and hypocritical idol. General Perón's swift flight to a Paraguayan gunboat and his decision to abandon his more resolute followers to the tender mercies of the military junta inside Buenos Aires will doubtless have contributed to the dissolution of the Perón legend.

Dictatorial but Liberal

As far as is possible, General Lonardi has been seeking to restore freedom through decree. Although he has assumed dictatorial powers "until the nation can be called to new elections," he has lifted the state of martial law imposed after the revolution of September, 1951. On September 27th, he announced a general amnesty and the prisons have opened for the numerous political victims of Perón's justice. Henceforth, Argentine citizens will be allowed to travel abroad without the notorious "good conduct certificates" issued by the *Peronista* police and disrespectful remarks about the government will no longer be considered a *prima facie* justification for arrest. Furthermore, General Lonardi has promised that he will seek to negotiate a concordat with the Vatican in order to heal the rift between Church and state created by the anti-clerical policies of General Perón during the final phase of his rule.

The problem of disentangling the economic vestiges of the Perón era will be an exceedingly difficult one. It falls under two principal heads: first, the question of general fiscal policy; and, secondly, the problem of personal corruption and state monopoly. Dr Raul Prebisch, who left the Bank of Argentina ten years ago under *Peronista* pressure and who has since been executive director of the United Nations Economic Commission for Latin America, has been called back to Buenos Aires to advise the government. The enormous growth of the national debt—some 30 per cent each year—and the high wage scales allowed by General Perón, in order to maintain the loyalty of the General Confederation of Labour, have produced a serious inflation. Monetary restraint and a policy of investment in greater production will have to be adopted. It has been suggested that the 25 per cent tax on the country's wage bill represented by the state pension funds should be reduced. The fact that confidence in the new regime is sound, despite a bad break on the market, has been shown by a 30 per cent excess of bank deposits over withdrawals in the last ten days.

Looking Into Corruption

But the new government will also have to clean house after a period during which much business was carried on at the personal level by General Perón, his associates and firms with which the regime had ties of amity and corruption. Some 40 firms are at present under scrutiny. Specifically, it is thought that the state trading monopoly, IAPI,

should be liquidated and that private enterprise should be restored. It is expected that there will soon be disclosures of the full extent of rapacity indulged in by *Peronista* officials, many of whom have taken refuge near their foreign bank accounts.

It is on the political front that General Lonardi's most recent moves have been less reassuring. Most of the new men are fairly inexperienced, and all are Catholics. But Dr Mario Amadeo, the Foreign Minister, and some of the lesser figures, are known to be extreme nationalists. Doubtless, these appointments are concessions to the anti-*Peronista* nationalists who supported that army revolt, but they are not calculated to encourage foreign confidence or to reconcile the most liberal elements in the country. At the same time, moreover, Sr Alfredo Palacios, a veteran leader of the Socialists, has been made ambassador to Uruguay, where he has resided in exile for nearly two decades. It will be disappointing if General Lonardi does not include in his government some of the perennial opponents of *Peronismo*.

To the outside world, however, the case of *La Prensa* will be the test of the new regime's colours. So far the paper has not been restored to Dr Gainza Paz, its famous editor, and the General Confederation of Labour has, in fact, stated that General Lonardi has promised not to restore it to its rightful owners. In a very ambiguous statement, General Lonardi has said that the matter "must be left to the courts." At the risk of alienating the confederation and even risking a showdown with this most powerful vestige of *Peronista* Argentina, General Lonardi should see to it that *La Prensa* is once again allowed to speak freely.

The Blue Danube Again

BY A CORRESPONDENT

THE Austrian sector of the Danube is beginning to run blue again, instead of red, and in theory at any rate the departure of the Soviet occupants from Austria, and the terms under which they have left (which include Soviet recognition of Austria's title to the assets of the Danube Shipping Company in return for \$2 million compensation), should permit goods and vessels to move more freely up and down the river than at any time since the end of the war. Unfortunately, there are still many snags, not only in the political and economic sphere, but even in the river itself. Channels have not been kept clear, wrecks still clutter the fairway, and buildings and installations are not what they used to be. There is less shipping, and fewer goods to be transported than before the war; and of course there are still hindrances arising out of the Iron Curtain and the cold war.

At the end of the second world war, the greater part of the ships which still remained afloat were concentrated between Linz and Regensburg where they came under American, instead of Soviet, control. Most, if not all, of these vessels were the property of the Danube Shipping Company, thus coming within the category which the Soviet government claimed as "German assets," and when the United States government refused to hand the vessels over

the Russians announced their intention of seizing any which ventured beyond the inter-zonal frontier at Linz. The vessels remained moored on the American side of the river, in full sight of the tantalized Russians, for several years. Gradually, however, more and more of them went into service between Linz and Regensburg until the Russians, who were hampered by a shortage of river tonnage in the sector under their control, began to issue special permits to allow the Danube Shipping Company's fleet to carry specific cargoes between Vienna and Linz. The ice having thus been chipped, if not broken, the Soviet government suddenly, and unexpectedly, threw the Danube open to the company's vessels in 1952.

In prewar days, the great powers, excluding the Soviet Union, policed the river under the international agreement



of 1921 and the Danube Shipping Company was an international affair with assets far outside truncated Austria. But at the Belgrade conference in 1948 Mr Vyshinsky, with the dutiful help of the Soviet satellites, steam-rolled through a new Danube convention which virtually confirmed Soviet control of the river below Linz (except where it passed through Yugoslavia) and completely ignored the rights and interests of all non-riparian states. The western

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powers refused to sign the convention, and much diminished and rather ghostly meetings of the 1921 international Danube commission are in fact still held every year in Rome.

The new Danube Commission, which is confined, against strong western protests, to the riparian states only, came into existence just as the Tito-Cominform quarrel was getting under way and the Yugoslav member consequently found himself obstructed and frustrated at every turn. But in December, 1953, the change of attitude of Moscow towards the Yugoslavs suddenly showed itself in the proceedings of the Danube commission: for the first time a Yugoslav was appointed as secretary, and the commission also adopted a long-standing Yugoslav suggestion that the seat of the commission should be transferred from Galatz in Rumania to the much more central Budapest. It is a striking commentary on the importance of the Danube as an international highway that, even when the cold war between Tito and the Cominform was at its height, neither side interfered with the Danubian traffic of its opponents and Yugoslav vessels passed unhindered through, or between, Hungary, Czechoslovakia and the Soviet zone of Austria, right up to Regensburg in Bavaria. The Yugoslav crews did their utmost to create alarm and despondency by scattering leaflets while passing Hungary and Czechoslovakia, but even this did not provoke reprisals.

Neither Austria nor West Germany had any voice in framing the provisions of the Danube convention of 1948. But it is evident that the Danube Shipping Company's fleet could be extremely useful in the lower reaches of the river where there is a shortage of suitable vessels. In theory there is nothing to prevent them sailing to the river's mouth today—indeed, as long ago as 1952 *Izvestia* and *Pravda* both began inviting them to do so, and to prolong their voyage to Moscow by way of the Don and Volga. But in practice there are still a good many difficulties; for instance, to judge by the rather meagre accounts of the proceedings of the Danube commission, navigation on the lower Danube is still not without danger; lack of goods as well as lack of tonnage have both played a part in making the removal of wrecks uneconomic. Austria has concluded agreements on the use of the river with all the riparian states, except the Soviet Union which controls the mouth of the river, and last May negotiated an agreement with Rumania that will allow it to transport 40 per cent of its imports from, and exports to, that country in its own ships; hitherto all the Soviet satellites have insisted that all their trade with Austria be carried in their own vessels. Whether Austria will now join the Danube commission remains to be seen; but there have been reports that Russia has invited it to join. (The German Federal Republic has also begun to make arrangements for the use of the Danube by German shipping; last July it concluded an agreement with Rumania on the use of each country's Danube ports by the shipping of the other.)

The importance of free and unimpeded use of the Danube to Austria can hardly be exaggerated. Like Czechoslovakia and Hungary, it is a land-locked state at the mercy of its immediate neighbours for its means of communication with the outside world. Federal Germany is well aware of this and has devised a highly ingenious system of preferential freight charges designed to attract Austrian export and import traffic away from all ports which are non-German. The preferences vary inversely with the distance

from the German frontier, so that goods going to and from Styria, on Austria's frontier with Yugoslavia, are carried over German railways at a lower mileage rate than goods from Upper Austria, which borders on Germany, and much more cheaply even than goods made inside Germany. These preferential tariffs do not apply to goods en route to and from such ports as Rotterdam and Hamburg. The effect of this system is that it is usually cheaper for Austrian manufacturers and merchants in Styria to route their merchandise via Hamburg, which is more than 500 miles away as the crow flies, than via Trieste, which is less than 150 miles from Graz. In any case, Trieste now has less attraction as a transit port than either Hamburg or Bremen, and unless it can again become the focus of central European trade, as it used to be in the days of the Austro-Hungarian empire, it seems to be condemned to gradual decay. If Austria's growing economic dependence on West Germany is not to go too far, it is clearly essential that the Danube should be re-established in its traditional role as an international waterway.

The Role of M. Faure

FROM A SPECIAL CORRESPONDENT

THE French parliamentary recess has not enabled M. Faure to cement over the cracks in his government. On the contrary, as the National Assembly returns from its holidays, he faces it at the head of a cabinet torn by dissensions, of which the departure of General Koenig, M. Palewski and two other Social Republicans (ex-Gaullists) on Thursday was the most dramatic, but far from the only symptom. Inaction over Morocco robbed M. Faure of a great deal of the prestige he formerly enjoyed; he antagonised the colonial extremists by his plans, and disappointed the reformers through the discrepancy between plan and achievement. Yet it might be argued that the Faure government was from the very start inevitably condemned to a permanent search for compromise; and that, politics being the art of the possible, his is the only practical method of governing with the present Assembly.

M. Faure was brought to power after the fall of M. Mendès-France because the remnants of his "leftist" reputation were a useful screen for a predominantly conservative majority. His role was recently compared in *Le Monde* to that of another Radical, M. Chautemps, who used to perform the same function under the Third Republic. M. Faure had the illusion that he could outwit his supporters ("France ungovernable?" he is alleged to have said, "It can be ruled by skill and dissimulation"), and, at first, he was allowed a good deal of latitude. Borne on by the impetus of his predecessor, he was able to bring the Tunisian deal to a conclusion and, at the cost of some concessions at home, to leave the foundations of foreign policy unchanged.

But his value as a façade for the conservatives grew progressively less. Sooner or later he was bound to find himself the prisoner of his majority; and over Morocco, as it turned out, the majority's policy was determined by the colonialist group within it. M. Faure rejected the alternative of submitting or resigning; instead, he chose to manoeuvre.

WHERE WE STAND WITH HELICOPTERS

IT IS ONLY over the past ten years that helicopters have shown the rate of progress which has been associated with fixed wing aircraft for decades. The advancement of conventional aircraft received two tremendous boosts during the two world wars, but the helicopter was not a working proposition in the 1914-18 war, and it became reasonably practical for specialized uses only in the concluding stages of the 1939-45 war.

The mathematics of the helicopter proved to be complex and new types of physical experience were continually encountered. It was therefore a vehicle that repaid particular care in the early stage and a cautious yet imaginative approach; above all it demanded considerable capital investment in laboratory and test facilities. This had to be provided in the teeth of other competing demands for technical manpower and factory equipment needed for new aircraft, engines and missiles.

But because of the progress of modern technology the rate of advance of helicopters has been sustained and today they are in ever widening operational use throughout the world. Nevertheless, the 6,000 or so helicopters built to date in all countries represent little more than six months' combined output of fixed-wing aircraft in Britain and the United States. So helicopters still form only a small fraction of airframe weight produced.

Whilst pioneering beginnings have been made in the fare-paying passenger use of helicopters, the maturing of helicopter commerce will still take some time. However, the expanding military use of helicopters is amassing a variety of operational experience in latitudes from the tropics to the Arctic Circle that will help materially towards the development of more economic commercial helicopters.

Helicopters were used in quantity for

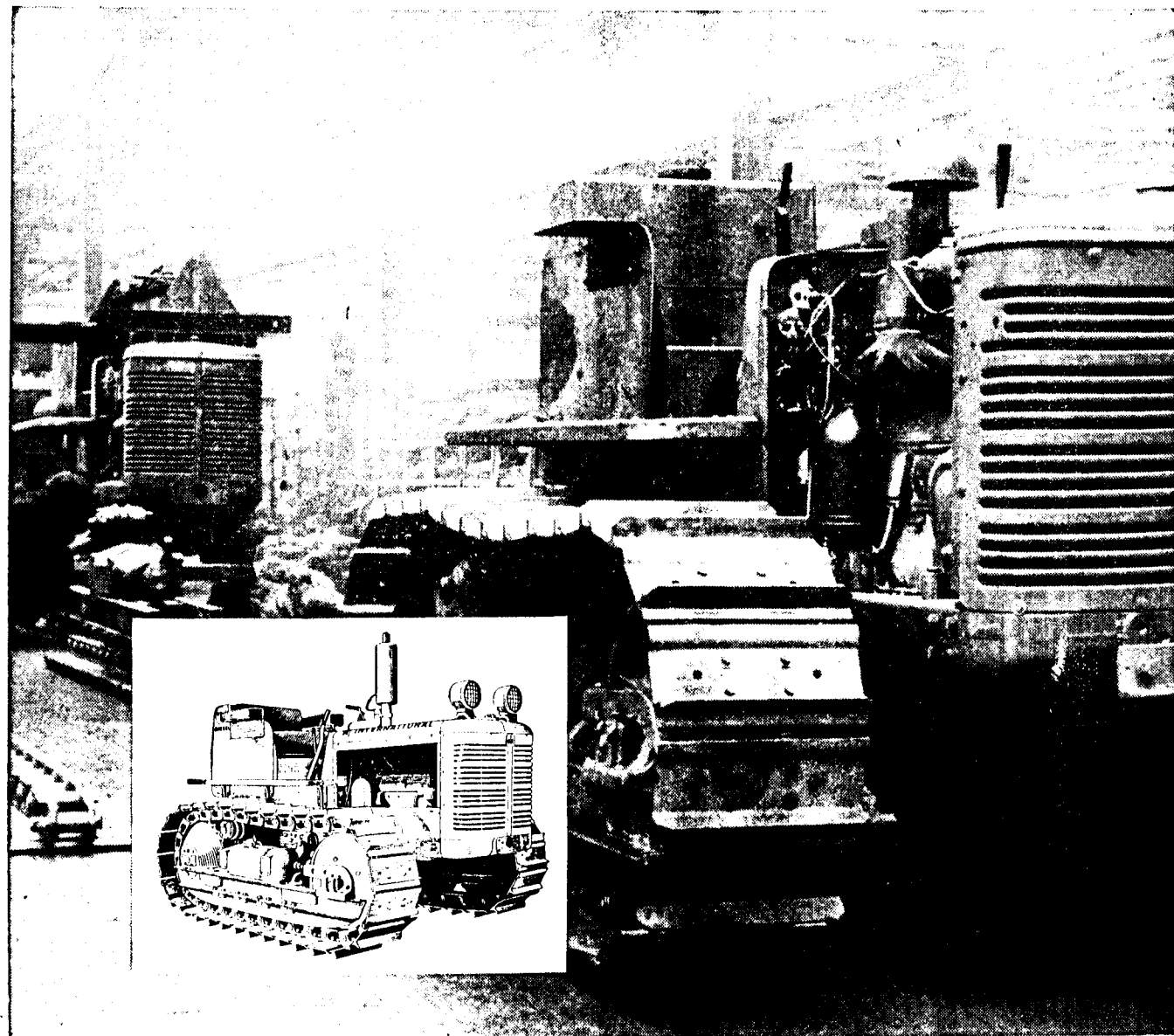
the first time in Korea when they took part in tactical operations for their intrinsic capabilities and not merely as a useful adjunct to other forms of transport. The reliance that came to be placed on them is evident in one memorable operation when 12 helicopters moved an equipped battalion onto a Korean hilltop in six hours. British forces have made increasing use of the helicopter in Malaya and other areas when communications are difficult.

In the civil field, it is foreseen that expanding use will be found for helicopters as flying cranes; airlifting special equipment to remote spots; as means of inspecting cables and pipe lines; for spraying in agriculture and many other purposes, which, coupled with accumulated military experience, will lead to economic scheduled freight and passenger services.

The Bristol Sycamore was the first helicopter of British design to be used operationally. A single-engined general purpose aircraft, it is in regular military service in many parts of the world, in climatic and altitude extremes, as well as with the Services and British European Airways at home. The Bristol Type 173 twin-engine tandem rotor helicopter, which has been developed from the Sycamore, is the forerunner of larger machines which are expected to see service first for anti-submarine work with the Royal Navy and the Royal Air Force.

Looking into the future the need is for helicopters able to lift bigger loads—of 10,000 lb and more. Successful development of these heavy helicopters will in time see the replacement of the piston engine by gas turbines; Bristol is well advanced with plans for a turbine-powered version of the twin-engined helicopter as part of its progressive programme towards meeting the mounting requirements of civil and military helicopter operators.

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He need not necessarily have fallen into the Moroccan trap. For once, parliamentary calculations and caution were possibly not the best guide to action. The conservative front was not united, nor were vested interests in North Africa all on the same side. At the risk of oversimplification, it might be said that French landowners in Morocco are uncompromising, whereas the industrial elements are in favour of an agreement. The "neo-colonialist" movement, which admits the need for a compromise, is also gaining ground in metropolitan France. Originally, the right-wing opposition might have given way to a Prime Minister determined to carry out his plan; it regained confidence when it saw that it was faced with a Premier whose greatest concern seemed to be to avoid a showdown.

Sabotage by the Generals

Even now, after the eventual departure of Sultan Ben Arafa, the question of succession is still wide open. On August 21st, after the Berber rising, Ben Arafa appeared to everyone to be an unimportant puppet. The delay accepted by the government enabled the "Arafists" in Morocco and Paris to regroup their forces. M. Grandval, sacrificed on the altar of right-wing superiority and government cohesion, was gone; the generals who held appointments in Morocco remained to sabotage the plan, relying on the support of the "ultras" within the cabinet itself.

The very appointment of General de Latour as the new Resident-General was a sign of governmental weakness. The generals, most of whom had begun their careers in the colonies, proved an invaluable support for the colonial lobby. Conscious of a weak executive behind him, General de Latour fell into line all the more readily with the body of military opinion headed by Marshal Juin. The creation of a Council of the Throne, designed to get round the crucial dynastic question, met with unexpected obstacles; an acceptable third man could not be found. The government's deepest humiliation occurred two weeks ago, when it had to beg a man awaiting retrial for collaboration—General Noguès—to try to persuade a Moroccan general to fill this role. But even this was in vain, because military discipline prevailed; it began to appear that once again a marshal was having the last word in France and the past of Alphonse Juin—France's only marshal—evoked memories of Vichy.

M. Faure managed to get rid of Ben Arafa, but the North African question remains unsolved and is likely to have a profound impact on the political situation in France. This struggle is being waged nearer home than that in Indo-China, and the call-up of reservists and the use of national servicemen inevitably make it a burning issue of domestic politics. Perhaps M. Mendès-France is the first beneficiary, since his own record in office shines bright beside the history of the last few months. After months of inaction, he has now started his electoral campaign, and the transformation of that lively weekly *L'Express* into a daily paper should provide him with a popular platform. Events in North Africa may, in the long run, help the Communists to put still more pressure on the Socialists for "unity of action." Meanwhile, they improve the electoral prospects of M. Mendès-France.

In the present Assembly, however, there seems no real alternative to M. Faure and to his government-by-manoeuvre. The conservative majority in the Assembly is

heterogeneous, and will accept, at least for a period, no one but a skilful matchmaker. The adroit M. Faure seemed an ideal choice and, if his successor does not follow his precedent, he is unlikely to survive for long. Strangely enough, although M. Faure's doom is generally accepted, Paris, for once, is not busy cabinet-making. M. Pinay would be a logical successor, but with the elections in prospect the conservatives prefer to preserve the disguise afforded by someone of M. Faure's position. The Christian Democrats may also refuse to serve under an openly conservative Premier. The next Prime Minister might thus be yet another Fabian Radical, and the crisis may simply prove the inevitability of a M. Faure.

Germans Try to Cut Prices

DR ADENAUER has assumed leadership of the campaign to lower German prices, which has been running for the past few weeks in a somewhat unco-ordinated manner. He has asked the Ministers of Economics and Finance, as well as the Federation of Industry, to let him have memoranda on the situation. The *Bank Deutscher Länder* already presents its views in its admirable monthly reports. The Chancellor himself is far from being an economist, but he can exert his authority to prevent conflicting remedies being proposed. He can also give the weight of his personal prestige to the psychological warfare which the ministers are conducting against rising prices. This may have some practical effect, as the "atmosphere" is an important factor in deciding which way the trend will continue to go. At present, there is no fear of inflation, as the Germans understand that dreaded word, but there is a general tendency to buy or build now because everything may be dearer tomorrow. It is this attitude of mind which the government hopes to change. Moreover, the trade unions may be induced to keep wage demands down, and, in face of public opinion, they will not be able to ban the importation of 100,000 Italian labourers.

The practical measures to restrict credit which the central bank has taken are having some effect in making money scarcer, but they are not yet sufficient. Eyes are concentrating on the extent of investment by public authorities, and the Minister of Finance has decided to give them no further federal funds for building. If prices go up, they must cut their coat to match. No minister, however, dares to restrict the subsidised building programme or the road fund. The restricted rents of flats in old houses have, however, recently been raised by 10 to 20 per cent to allow owners to undertake repairs and to relieve the need for new dwellings.

It is fortunate for Germany's trading partners that increased imports are still regarded as one of the best ways of keeping prices down. Dr Erhard, who has the courage of his liberal convictions, hopes to secure some tariff cuts which, if his psychological campaign is successful, will be passed on to the public. As it is, the growth of imports continues to outstrip exports, and there was actually a trading deficit in September. The central bank's reserves of gold and hard foreign exchange, however, are so great

that a further increase in imports may safely be faced for some time.

Oddly enough, one move is being made by the Finance Minister, Dr Schaeffer, which will increase purchasing power—or profits. He has remitted taxation on a few household commodities, and on working housewives, in order to carry out a decision of the *Bundestag*. He can well afford to do so, as his loss will amount to no more than the excess revenue which he has received. Unlike Mr Butler, Dr Schaeffer underestimated his tax revenue. An attempt will be made to see that the cuts are passed on to the public. Dr Schaeffer and Dr Erhard are both ready to reintroduce a few temporary controls for the purpose. That complete freedom is only possible with a hard currency is the maxim heard in Bonn, though the liberal economists maintain that a hard currency is only possible with freedom. So far, no drastic change in German economic policy is contemplated, or needed. There is no danger to the Deutschemerk—only the danger of a danger.

Unity for West Pakistan

BY A CORRESPONDENT

PAKISTAN'S so-called "one-unit" bill became law when it received the assent of the Governor-General on October 3rd. After a debate lasting more than a month, it had been passed by the Constituent Assembly by 40 votes to 13, with 27 members abstaining. The number of abstentions is significant, but the new coalition government can nevertheless be said to be safely over its first big hurdle, and its main task of getting the constitution passed should now be appreciably simplified. The bill has done away with the anomaly that East Pakistan, with a population of 42 millions, had only one provincial administration, whereas West Pakistan, with only 34 millions, had six or seven. The two units can now go forward on a basis of political equality.

A good many eggs were broken in the making of the "one-unit" omelette, but they were mostly added ones. Each province of West Pakistan, and each of the more advanced states, was top-heavy with its own apparatus of government—its cabinet ministers and junior ministers, its secretariat, its legislature and so on. There will doubtless be politicians who regret the passing of so many fields of opportunity, but the country as a whole will feel no sympathy for them. They were breeding grounds of provincial rivalries which have gone far towards destroying the unity of Pakistan.

The leader of the opposition, Mr Suhrawardy, was in no position to attack the measure, for he had been a prominent member of the government which originally sponsored it. He had to confine himself mainly to a rather unconvincing protest that it was being rushed through, and to advocating the calling of a round table conference to discuss it. The most vocal and uncompromising opposition within the Assembly came from Mr Fazlur Rahman, the Commerce Minister in the Nazimuddin government, who argued that the bill would bring about the disintegration of the country by creating "two Pakistans." To most people it would rather appear that the bill merely accepted the facts

of geography and adjusted the political structure of the country to those facts.

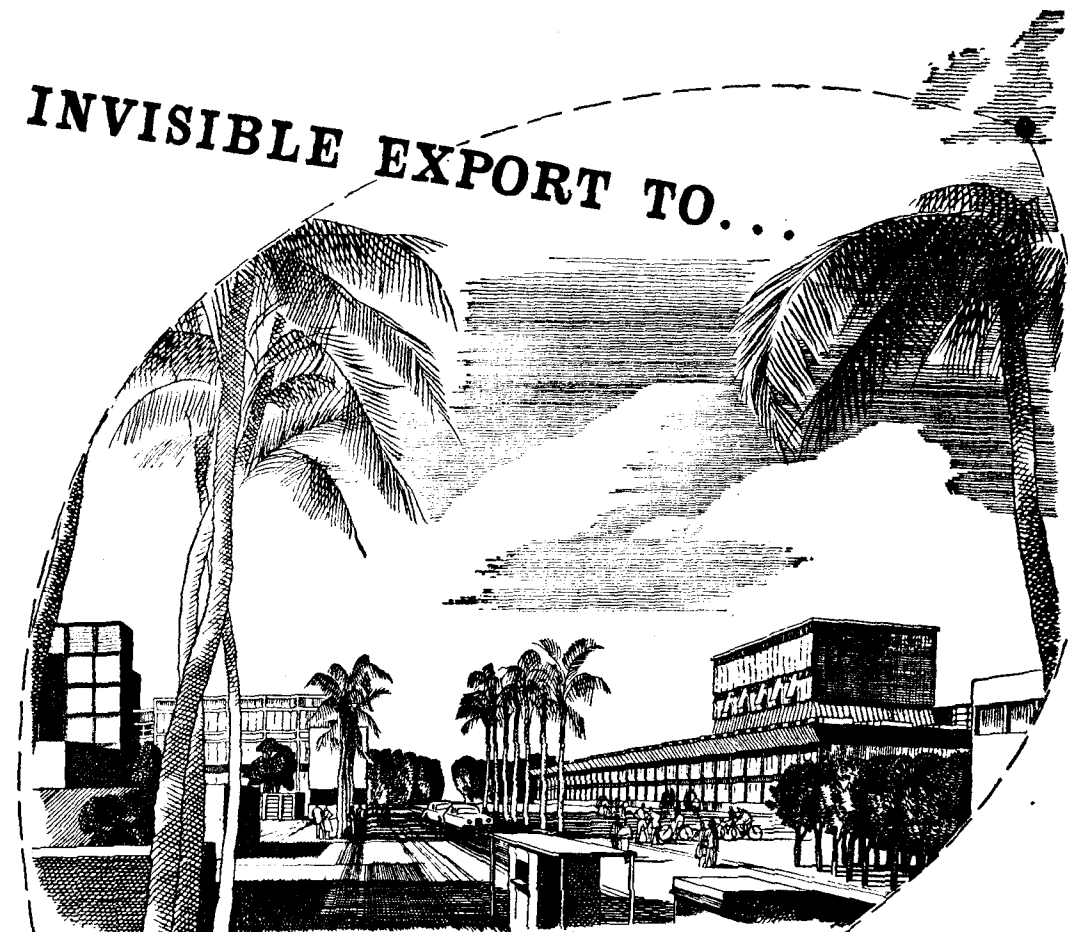
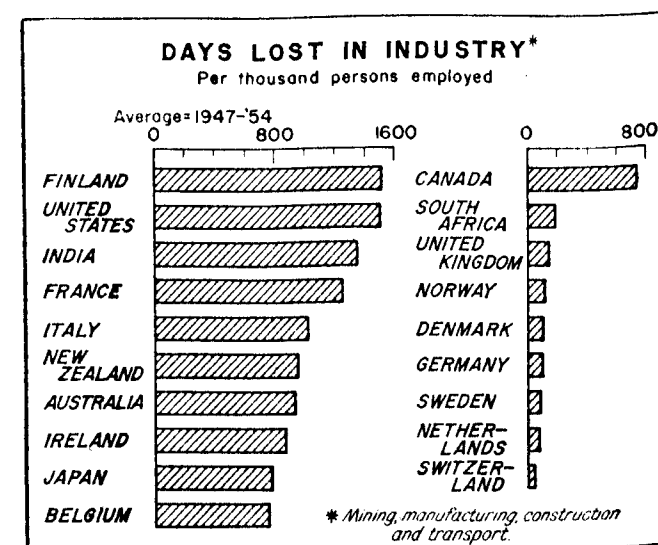
Outside the Assembly, the most serious agitation against the measure was from the veteran Pathan leader, Khan Abdul Ghaffar Khan; but his championship of the cause of Pathan separatism lost much of its force from the fact that his highly respected brother, Dr Khan Sahib, was a strong supporter of the integration and was, in fact, designated as the Chief Minister of the new West Pakistan government.

The interim legislature of the new province will be elected by electoral colleges formed by districts. Its life will not be longer than twenty months, after which elections will be held on the basis of a direct vote. There are to be



310 seats, of which 124 are allotted to the Punjab, 57 to Sindh and 42 to the North West Frontier Province. Representatives of the tribal areas will be elected by the *jirgas*. Ten seats have been reserved for women.

The new unit will consist of 50 districts, grouped in eleven divisions. Commissioners of divisions will exercise more extensive powers than heretofore; the government's aim is that remote control and political interference should be reduced to a minimum and that matters affecting the daily life of the people should be as far as possible decided within the areas in which they live. Of equal importance is the fact that the government will now be able to proceed with the development of the Indus basin as a single economic unit, no longer hampered by the artificial political divisions which have done so much to prevent this in the past.



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THE BUSINESS WORLD

Chancellor and Markets

A STRICTLY formal vote of confidence seems to have been the immediate response of the Stock markets to Mr Butler's eagerly awaited speech at the Mansion House this week, and that vote was seconded, almost inaudibly, in the foreign exchange market. The quiet seconding was perhaps the bigger tribute, for sterling on the morrow of the speech had to swallow its distress at the news that in September \$112 million of gold was lost and a further deficit of £38 million piled up at EPU, which will therefore claim \$80 million of gold from Britain this month. Sterling's steadiness, however, was probably attributable less to the proud faith shown in it by the Chancellor this week than to his affirmations of policy at Istanbul three weeks before; the greater part of September's strain, it is officially stated, occurred in the first half of the month.

For the City, the Mansion House speech offered perhaps a shade more ground for new hope than for new pessimism—but there was not much to justify either. The Chancellor said most of the right things about the intended direction of policy, but he has said most of those things before. He gave hardly any hint of the extent to which, and the speed with which, good intentions will become effective action. No judgment can be formed about that until the reassembly of Parliament, but a prompt statement of the "sum" of the government's proposals will be made then.

In the meantime, the City seems to have deduced, and probably rightly, that the authorities are satisfied—for the moment at least—that monetary pressure will exert its full share in the necessary squeeze without any new turn of the official screws. Any indication of the Chancellor's attitude to the much-discussed possibility of a selective increase in purchase tax could not, of course, properly be given on this non-Parliamentary occasion. But, aside from such possibilities as a direct assault upon particular forms of consumption, the speech confirmed the impression that the

emphasis in policy now shifts to the public sector. There is no sign, however, that any really large cuts in public expenditure are in prospect, nor did Mr Butler define any more closely the nature and extent of his efforts to achieve a slowing down or postponement of the capital projects of the nationalised industries and local authorities. On the central government's own current expenditures, governed by the estimates now being prepared for 1955-56, the Chancellor's promise is mild: "We shall certainly do our part in seeing that they do not exceed what can be clearly justified." The watchdog may growl, but will not bite.

These rather indistinct pointers to policy were, of course, set in a rough charting of the trend of the economy, but this sketch was likewise rather indistinct. The one important new fact—that Britain's current balance of payments showed a small surplus in the first half of this year, after crediting defence aid—affords little clue to the present trend. The Chancellor did not present this estimate as ground for congratulation; on the contrary, he emphasised again that Britain needs, not a bare balance, but a large surplus on its external accounts. And he drew attention to the special strains now arising from the need to import coal (to the extent of £47 million in the year to date) and the future strains implicit in the wage increases already granted or threatening. But these realistic comments were intermingled with statements plainly designed to give reassurance—whereas what is needed now is some degree of psychological shock.

If the test of these utterances is sought in the security markets, the provisional verdict must be favourable. The Stock Exchange has not greeted them, as on similar occasions in the past, with the blithe unconcern of "inflation as before." Gilt-edged were slightly better and industrials slightly lower; and at this stage that is probably the fairest conclusion. The Chancellor has three weeks to assemble and present his "comprehen-

sive remedies," but before that he has to deal with the replacement of the £524 million of 3 per cent Funding Bonds due on November 14th. In immediate market terms, the conversion is more important than the remedies, for its imminent arrival has coincided with the return of a degree of composure that the gilt-edged market, from the shorts to the longs, had conspicuously lacked during the summer months. If Mr Butler's speech has somewhat helped along the process of grooming of which the market has lately been conscious, that does not make it reprehensible. It is when grooming in the gilt-edged stable gives place to doping that the outside observer has ground for alarm about the rectitude of the authorities in running their book.

Nothing of that kind has been happening. It is, indeed, of the utmost importance at this juncture to pitch the terms of the conversion to avoid any appearance of forcing tactics—and the fact that it is less than three months since the 4 per cent Gas issue came so sadly to grief gives reasonable ground for supposing that the huckstering that was then attempted will not be tried again. But equally there is no need for the authorities to push the gilt-edged market down another step of the staircase that it has lately been struggling to climb. If monetary medicine is beginning (as now seems possible) to knock several more degrees off the country's inflationary temperature than some sceptics thought possible, it would be a quite unnecessary exercise in economic homœopathy to pour an extra dose down the throat of the convalescent gilt-edged patient. Whatever the authorities choose to issue, they should price it to sell, not to bang the market.

★

The gilt-edged market was inclined to make the most of Mr Butler's championship of sterling and his emphasis on restraint at home and bigger sales abroad. If the "comprehensive remedies" give these hopes the dimensions of a realistic policy—in terms of public expenditures, economic house rents, and a greater weight on discipline without frustrating incentive—then this first instinctive reaction may well set the market's course for some time to come. The days of defensive retreat against persistent selling by the banks and money market houses are over; in retrospect, the remarkable feature of that operation in the first part of this year, was the success of investors in absorbing a volume of stock that some observers would have regarded early this year as being frankly unsaleable. In this ordeal of taking hard knocks, the "shorts" have suffered as severely as any, and the yield structure, compressed from top to bottom when Dr Dalton was in charge of the concertina, has been forced up all the way through the list to 4½ per cent and beyond. Such conditions in past history have been characteristic of periods of monetary pressure, but they have not persisted once it became possible to see that the pressure would bring the required economic effect.

It may be early to say with certainty that such a stage has now been reached in the gilt-edged market, but a good deal of evidence points that way. A month ago it was possible to get 4½ per cent gross on 2 per cent Conversion, for a term of less than 3½ years—and not far short of 4 per cent tax free. Today the two redemption yields are below 4½ and 3½ per cent respectively. As between the middle dated stocks and the longs, there has already been a good deal of switching into the former; it is no accident, to take one set of comparisons, that 3½ per cent Conversion 1969 which was offering over 5½ per cent to redemption only a month ago should have recovered four points in price and fallen five-eighths of one per cent in yield, whereas Old Consols yield only a few shillings less than they did in the first week of September. There is no doubt that keener attention is being paid to the gilt-edged market by institutional investors to whom yields of 4½ per cent or better over a term of 25 years have a natural appeal. And it is not surprising, in these circumstances, that the government broker, working with his habitual deftness, has been able to prepare the way towards a government operation to a degree that would have seemed impossible only a few weeks ago.

But it must be recognised still that the foundations of recovery are not yet solid. They rest on a temporary scaffolding of the Chancellor's words, rather than upon a platform of concrete deeds. The words cannot take the strain indefinitely; the deeds, if they mean retrenchment in the public sector, will take considerable time to produce positive benefit. The recovery, in short, is predicated on the belief that, at least in the next few months, the squeeze on the private sector of the economy will begin to produce tangible effects in reducing the total weight of demand that is now falling on the country's resources. Unless a renewal of speculation against sterling breaks out on so incautious and unjustified a scale as to necessitate Bank rate action, the gilt-edged market may reasonably feel that the squeeze is not going to pinch much more tightly.

★

In the industrial share market, however, it is more difficult to see the way. Most equity investors will be prepared to assume that nothing that the Chancellor does will aim at producing avoidable unemployment on any material scale. They may well be right. But if they need have no worries about output in some prosperously employed industries falling towards break-even points, they must spare a little concern at the ability of even these industries to go on absorbing higher labour costs year after year. If Mr Butler's words have meaning, and intensified restraint at home creates the openings for more exports, the overseas markets will not pay so handsomely as the home market has lately been paying.

There is, then, at least a doubt about the continuing expansion of trading profits at the recent rate—though

there is no worthwhile evidence from the latest figures for the September quarter of any slackening in earnings or dividends. But if the profits being earned in 1955 are very good indeed—and in many cases they will be—the atmosphere in the board rooms next spring when dividend decisions come to be taken is likely to be much less open-handed than it was. This owes nothing to any false relation of wages and dividends (the Chancellor, it will have been noted, again linked the two in his speech); it will follow from the effects of the squeeze on the raising of new capital. The limitations of the new issue market when it comes under pressure have been only too evident in the last month, and the terms of the Tube Investments rights issue to shareholders this week show how far investors now expect to be courted. If access to the market should become more difficult, the consequences for dividend policy would be most pronounced—and particularly painful for those shares that have been valued on the assumption that the succulent filling can be taken from a large cushion of earnings and handled out to shareholders. In the course

How Shorn the Lamb?

IF the Australian economy rides on the sheep's back the rest of the sterling area is not far behind the tail. Wool is the largest single export not only of Australia but of the overseas sterling area, and Australia is Britain's largest single market. Many British industries were unhappily reminded of this common interest in wool last week, when the Commonwealth government announced a new round of restrictions designed to cut imports by about £65 million in a full year. The restrictions, which were as extensive as those introduced only last April, were probably inevitable in view of Australia's persistent tendency to over-spend its export income, but they were certainly aggravated by the further fall in prices of raw wool. In the season that ended last June the Australian wool cheque fell by £30 million to £282 million; now growers and the government are faced with another decline in income.

Neither of the other two wool-growing dominions has suffered to the same extent. New Zealand is less dependent on exports of wool, and enjoys the present advantage of being a producer of crossbred wool, the type that has fallen least in price; and though South Africa produces an even higher proportion of merinos than Australia it has a much more diversified export trade. The lot of the merino wool grower has indeed been unhappy. Between May, 1953, and the close of the last season in June the average price of 64's quality merino wool fell by 31 per cent, from 162d. to 112d. a lb (clean weight, c.i.f. UK). Crossbreds came through unscathed; the average price of 56's quality in fact rose from 91d. to 102d. a lb between May, 1953, and June, 1954, returning slowly to 91d. last June.

of the next twelve months there will be much less talk about the moral need for dividend restraint. The restraint, unless this analysis is wholly wrong, will be only too obvious, and doubly so to those who have been content with yields of between 3 and 4 per cent on the fashionable favourites among the growth stocks. The need for new capital resources is likely to take precedence over distributing the fruits of past growth.

This circumspect approach to the prospects for industrial shares does not rest, clearly, on any assumption of any major change of trend in the British economy. It is worth noting, perhaps, that the squeeze may have a more marked effect on new building work intended to be started next spring than some observers yet realise. But there is an immense amount of work in the building pipeline and there would be positive advantages in reducing it. Here, without doubt, is to be found some of the froth to which the Chancellor referred. In the industrial market, a good deal of froth has already been blown away; but he would be a bold man who claimed that none is now left.

It happens (perhaps because Australia's myxomatosis campaign has exceeded all expectations) that production of merinos has risen faster than that of crossbreds; crossbreds, too, have been substituted for merinos to cheapen the cost of some fabrics; and fashion in women's wear has favoured woollens rather than worsteds—and therefore crossbreds rather than merinos. Indeed fashion has lately shown an unnatural aversion from change, even when tempted by the sharp fall in the premiums for merino wool.

So far this season—with the heavy offerings of crossbreds admittedly still three weeks off—merinos have again borne the brunt of the decline. As last year, the season opened with the prospect of a small surplus of wool. The new clip was estimated at 2,625 million lb (clean weight), two per cent larger than in 1954/55. To this could be added unsold stocks from last season in Argentina and Uruguay of some 35 million lb, plus some 25 million lb that would be offered in the American market by the Commodity Credit Corporation, bringing total supplies to 2,685 million lb. The current rate of world consumption, on the other hand, could be estimated at roughly 2,530 million lb, leaving an apparent surplus of about 150 million lb.

That conclusion, however, is subject as usual to a margin of error. The estimates of the world clip may have to be revised one per cent or more; estimates of the rate of world consumption are subject to a wider margin of error. It is merely fair to say that production and consumption appear to be more or less in balance, with a bias towards surplus that is tiny in proportion to the size of the figures on both sides of the equation.

For two years now the selling of wool and other textiles in the main consuming countries has been a hard grind. Competition is severe and there is pressure throughout the chain of manufacture to reduce, or at least hold down, prices. In part these conditions reflect a return to normal after the public's postwar need to re-stock was satisfied; in part they reflect the struggle of producers of soft goods to catch a consumer's eye now tempted more towards the glimmering attractions of durable goods. Hence buyers had good reasons for trying to secure their supplies of wool more cheaply, and were quick to exploit the prospect of a surplus this season.

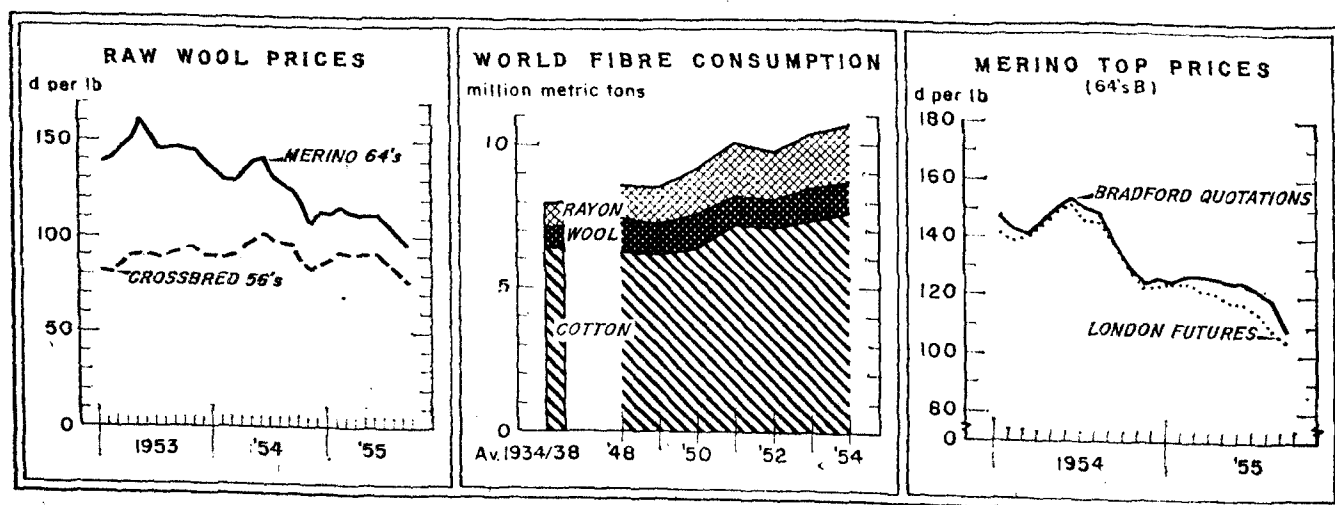
A touch of weakness came in the between-season's sale in London in July, and the opening sales in Australia and South Africa at the end of August confirmed it. Buyers were cautious and prices fell; that made buyers more cautious and the decline fed on itself. By the third week merino prices were 15 to 20 per cent cheaper than at the end of the previous season, and a limited quantity of crossbreds fetched 10 to 15 per cent less. For the first time in three years the New Zealand Wool Commission was called upon to take up at its "floor" price a few lots of New Zealand merino wool offered in London. But a sharp fall in prices always brings a reaction. By the fourth week buyers had evidently decided that their need for more wool came first: competition in the auction rooms increased, nearly all the wool on offer was sold and prices rallied. The market is now firm, with merinos showing a net fall of $12\frac{1}{2}$ to 15 per cent, and crossbreds a net fall of about $7\frac{1}{2}$ to 10 per cent. In Bradford, and no doubt in other manufacturing centres too, the rally has brought more business to spinners and topmakers. Prices of merino tops, which have often been up to 3d. a lb cheaper than the quotations, have risen by about 1d. and delivery dates are lengthening.

Has the market found what it likes to call "a basis"

at which trade will be stimulated to an extent that will absorb the surplus at current prices, or will the revival peter out and prices fall? It would be rash to venture an answer. A rally at this time last year proved a false guide; prices relapsed and did not begin to recover again until late in November. Yet it does not seem unduly optimistic to conclude that wool prices over the whole season, though they may again yield a smaller wool cheque, should not show a more radical break. There can be hardly any countries now that are overbought in wool.

There are several unknowns that could influence the market as a whole. The usual one at this time of the year is the weather; a sharp winter in the Northern Hemisphere could quickly transform the demand for heavy clothing. Another, of similarly wide influence, is whether disinflation in Britain and several other countries will be pressed until it touches the pockets of consumers or forces the producing chain to unload. So far the credit squeeze in Britain has strengthened the reluctance of the clothing trades to buy far forward and by the same token may force hurried buying later. It can hardly affect the topmaker and spinner until the New Year, when their purchases, and their need for finance, are at a seasonal peak. There is also the perennial possibility that Russia and other Communist countries may buy more wool; and the possibility that a party of the South American, crossbred clips will again be held back from the market.

If world production of wool in the next few years continues to grow at the recent rate, it is possible that prices will have to remain relatively low in order to stimulate consumption. That is hardly an encouraging prospect for the grower—particularly the merino grower in Australia, where prices are no longer far above production costs and where (in contrast to New Zealand and South Africa) there is no stabilisation fund to temper the wind to the shorn lamb. And, despite those funds, wool as a whole has to take its medicine through the price mechanism, without either the backing of the American government that holds up cotton throughout the world, or the holding off power of the big producer that stands behind rayon.



Business Notes

The Governor on His Armoury

THE speech by the Governor of the Bank of England at the Bankers' Dinner was notable for its carefully considered statement upon the role and worth of monetary weapons in modern conditions. Mr Cobbold, while still emphasising the limitations, is clearly satisfied that the money measures have this year made a major contribution. On the external side, he notes that the effect of the measures of February 24th was "immediate and decisive" upon sterling, and that the rise in London money rates (in conjunction with the more modest movement in the United States) influenced commodity prices so as to produce an improvement in the terms of trade.

On the domestic side, he concedes that the immediate results were disappointing—because it was widely thought at first that tight conditions would not persist and need not be taken seriously. But “from April onwards the measures were probably more effective than has been generally supposed.”

Without them there is little doubt that bank advances would have climbed much more steeply and the upsurge of hire purchase would have got out of hand. Against a general atmosphere of boom and expansion, the steady pressure of monetary policy through those months was gradually building up resistance to an exceptionally heavy demand for credit.

It is clear, however, that the direct impact of credit policy falls upon a smaller proportion of the economy than it used to do. Hence, "monetary action to restrict the borrowing and spending of individuals, firms and companies can be outweighed by the action of the Government, local authorities, and the nationalised industries" and, in consequence of the redistribution of incomes, the immediate impact on consumption may be outweighed "by the level of earnings and fiscal policy." (Is this a gentle criticism of last April's budget?) In addition, the high level of taxation makes business men less sensitive to an increase in the cost of borrowing; and the movement of international capital, though not insensitive to interest rate changes, responds less freely than it did before the war.

On all these grounds Mr Cobbold makes a sound case for requiring government policies to work in parallel with monetary policy, and remarks that people are now "waiting eagerly for action by HM Government." But he emphasises that although the direct impact of money policy is narrower than formerly, "it still exercises a gradual and pervasive influence over a much wider field." Therefore, whilst it would be unwise to blunt the money weapons by "loading them with more responsibility than they can effectively discharge," it would be "most unwise not to make full use" of them.

Sterling After the Banquet

IT was anticipation of what might be said at the Lord Mayor's dinner rather than the after-effects of the speeches that provided the main stimulus to sterling this week. The existence of a bear account was evident on the first two days of the week and the rate made considerable headway against almost every other currency under the stimulus of what seemed to be covering purchases. At one time the spot rate against the US dollar touched \$2.78 $\frac{1}{2}$, its best for two months. This recovery, however, did not spread to the cheaper varieties of sterling; the transferable rate on Monday remained unchanged at around \$2.75 $\frac{3}{4}$ and the rate for security sterling actually gave some ground to \$2.75 $\frac{5}{8}$. But the advance in the spot rate against the dollar was not fully held, falling back to \$2.78 $\frac{1}{8}$ while the rate for security sterling has declined further to \$2.75 $\frac{1}{2}$.

The failure of sterling to maintain the momentum of its advance could not be attributed to any absence of reassuring references to the currency in the Mansion House speeches. The Governor of the Bank of England asserted that sterling was still undervalued rather than overvalued in relation to most of the principal currencies of the world and suggested that this, "the most important point of all" was often overlooked. There will be general agreement with this view that in 1949 sterling was grossly overvalued; and there is much substance in his assertion that the devaluation of that year left sterling undervalued (he should know since he had a hand in picking the new parity). But six years of brimfull employment have passed since then. The acid test of under- or over-valuation of a currency is the balance of payments and the exchange market.

The reassurance for sterling brought by the Chancellor was a repetition of what he had already said in Parliament last July and in Istanbul last month but it was reinforced by the revelation that the balance of payments (including American aid) for the first half of the year had shown a small surplus and that the whole of the losses of gold and dollars and of the EPU deficit incurred last month had been suffered before the Istanbul speech. All these assurances were sufficient to enable sterling to hold its rate against the dollar and still to advance slightly against certain Continental currencies, notably against the German mark and the French franc.

Liquidity Ratios Recover

THE full statement from the clearing banks for their make-up on September 21st shows a slightly smaller fall in advances during the five-week period than was estimated here last week. The actual decline proves to be

£123 million. This is still by far the largest decline ever experienced, but at least three-quarters of it was attributable to repayments by the gas and electricity industries out of the proceeds of their market loans. Since these issues were so largely taken up by the departments, the Treasury's need for domestic finance must have been sharply accentuated by the financing of the large calls that had to be met on them during the period, when its visible overall deficit was some £60 million larger than in the corresponding (four-week) period last year. A substantial increase in the banks'

	September 21, 1955	Change on	
		Month	Year
Deposits	£mn. 6344.7	£mn. - 61.0	£mn. -194.2
"Net" Deposits*	6108.2	- 45.7	-192.0
Liquid Assets	£mn. 2124.9 %† 33.5	+ 73.2	- 75.4
Cash	526.1 8.3	+ 10.8	+ 5.2
Call Money	422.0 6.7	- 1.8	+ 4.3
Treasury Bills	1062.7 16.8	+ 52.9	-118.8
Other Bills	114.2 1.8	+ 11.2	+ 33.8
Investments and Advances	4065.6 64.1	-121.2	-110.5
Investments	2083.9 32.9	+ 1.9	-276.6
Advances	1981.7 31.2	-123.1	+166.0

* After deducting items in course of collection.

† Ratio of assets to published deposits.

liquid assets was therefore inevitable, but the actual increase of £73 million showed a more moderate contrast with last year's movement of £20 million than might have been expected—despite the fact that £11 million of the expansion was attributable to commercial bills. The gap between the Treasury's indicated borrowings through the banking system and its apparent need for domestic finance is partly explained, of course, by the fact that sterling was accruing to the Exchange Account against its sales of gold and foreign exchange; but it seems evident that some additional resources must have been secured by further net sales of securities.

Thanks to the combination of a steep decline in risk assets with an increase in liquid assets, the liquidity ratio for the banks as a whole has been raised from 32.0 to 33.5 per cent, virtually restoring it to the level at which it stood at the corresponding date last year. Net deposits dropped during the five weeks by £46 million, whereas in the four-week period last year they rose by £21 million and in 1953 by £54 million.

Tube Investments Plan

SINCE the bulk of the P and O Debenture issue was left with the underwriters and since the effect of the English Electric company's rights issue was to bring the existing stock down more than half-way towards the issue price of the new shares, it has become clear that industrial companies requiring to draw big money from a reluctant market would have to think again. Tube Investments,

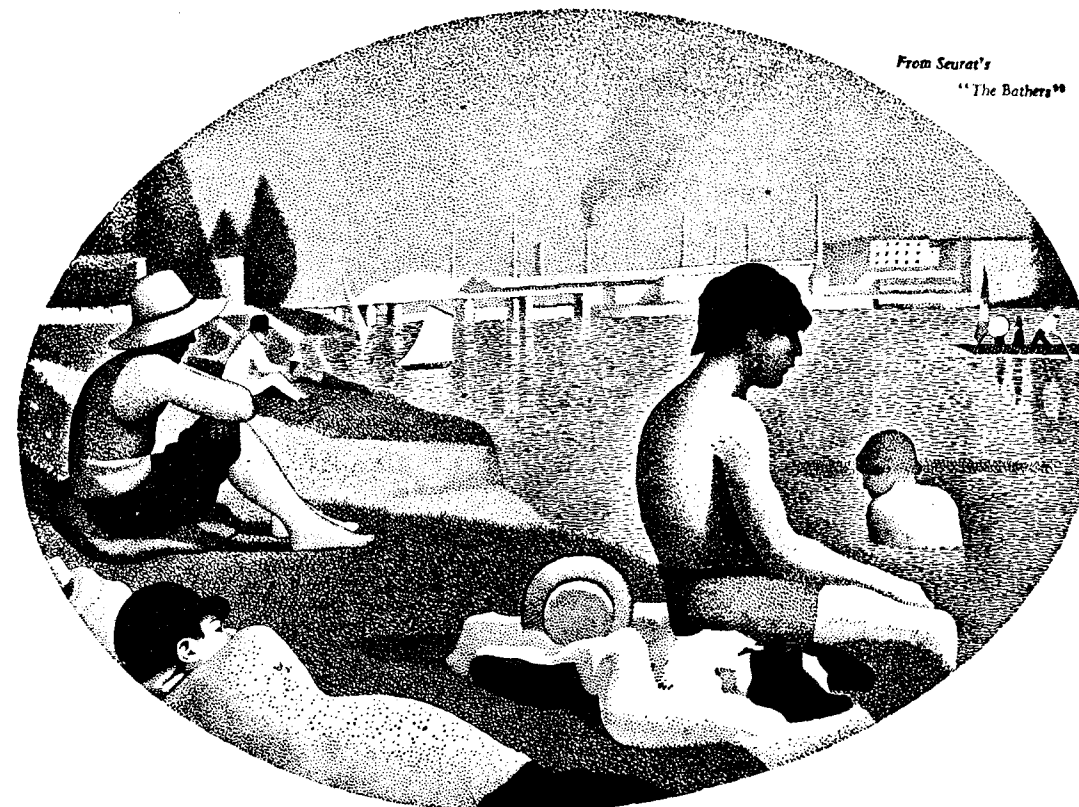
wanting over £8 million, has announced an unusual type of issue this week. The company, whose stock stood at about 95s. when the plan was being considered, had intended raising money by a normal rights issue below, but not fantastically below, the market price and simultaneously to make a one-for-one free scrip issue. Instead it combines the operations and makes a rights issue of one-for-one at the enticing figure of 22s. 6d. per share. Thus the company insures success. With the shares at 93s. 9d. the rights are worth 35s. 7½d. per share. Nor need underwriters be bribed or cajoled into taking it on.

The issue is not underwritten, but it has another peculiarity. Since the rights are of exceptional value steps have been taken to make sure that no shareholder misses them. Helbert Wagg and Co. and J. Henry Schroeder will (for a fee that is not disclosed) take up unexercised rights and sell the resulting shares for the benefit of the shareholders entitled. The plan has everything to commend it. The unexercised letter of rights whose value is lost to the shareholder often through his absence or infirmity is a recurrent problem to which this scheme should be the answer. But it has yet to be tried. Will the mere fact that it is for once impossible for a shareholder to miss his rights tempt him to take no action? And will the two merchant bankers therefore have an enormous block of new shares to sell on the last few days of stamp-free dealings?

A further deduction can usefully be made. Tube Investments in the course of getting this £8,153,360 and hoisting its capital plans out of reach of its bankers has to liberalise its conservative dividend policy, but it is not letting liberality go to its head. The final dividend this year is to be 12½ per cent, making 22½ per cent for the year compared with 17½ per cent. The dividend is none too generous, for profits before tax for the year ended July 31st have been about £8½ million compared with £5,741,000. On the increased capital an interim payment of 5½ per cent is to be paid in May and a final dividend of 7 per cent in December next year. Those rates have been closely calculated to make the equivalent of 14 per cent per annum on the enlarged capital allowing for the fact that the new shares will not be fully paid until the end of March, 1956.

Clan and Union-Castle

THE merger between Clan Line Steamers and Union-Castle Mail Steamship Company was among the best kept City secrets: the adjustment of prices after the announcement was therefore sharp. Clan Lines rose 30s. to £8 10s. on Tuesday while Union-Castle rose 2s. 6d. to 30s. The merger is cleverly devised, bringing to Union-Castle the ample resources that the conservative management of Clan Lines has built up, giving it a wider spread of trade routes (including Australia) and throwing into the common pool the export management on which Clan Line has conspicuously flourished. The improved 10-year mail contract recently agreed between Union-Castle and the South African government also helps in that direction. In practice the merger brings benefit to each class of shareholder in each company as the table of terms shows. This is



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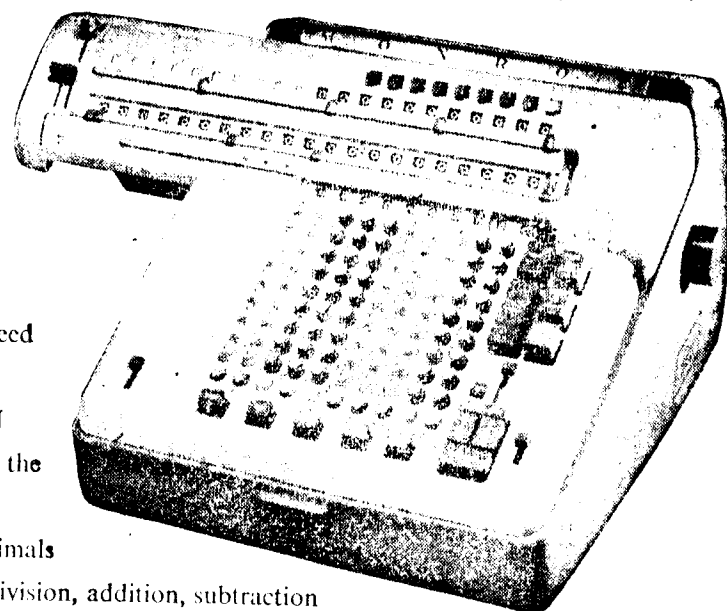
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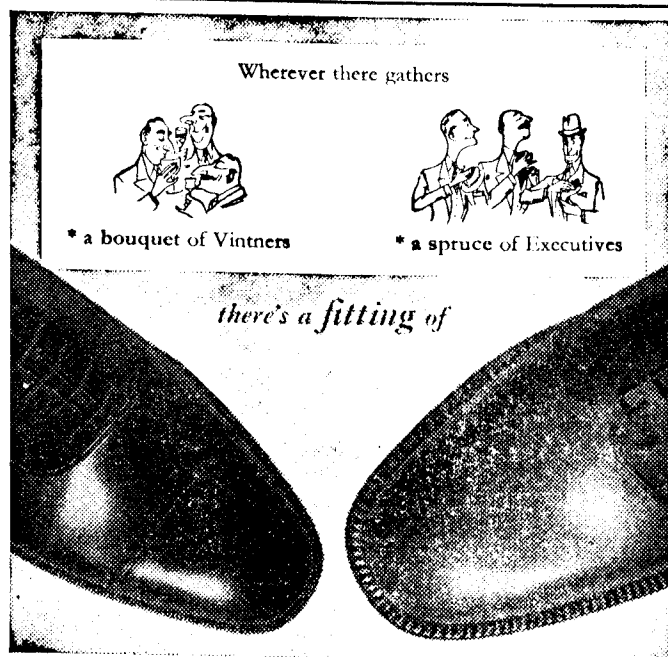
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possible because it involves a loosening—perhaps overdue—
of Clan Line's purse strings.

The form of the merger is simple. A new holding company, still unnamed, will take over the capital of both companies (excluding only the Union-Castle debenture), and the two companies will continue to operate their individual fleets. Before the merger Union-Castle will pay for 1955 an unchanged dividend of 7½ per cent and Clan a dividend of 25 per cent (compared with 20 per cent). After the merger the new holding company hopes to pay 16 per cent for 1956 covered three times by earnings. That is not the degree of coverage to which Clan Line shareholders are accustomed, but a more liberal policy had to come eventually as the 2.9 per cent yield basis for Clan shares before the announcement implied. The present price of £8 10s. values the prospective £1 share in the

Present security	Amount £'000	Exchange basis	Security in new company	Amount £'000
Clan Line:				
5½% "A" Pref £1	700	11 for 10	5½% Pref £1	770
5½% Red. Pref £1	500	11 for 10	6% Red. Pref £1	550
5½% 2nd Pref £1	250	11 for 10	5½% Pref £1	275
Ord. £1	1,260	8 for 3	Ord. £1	3,360
Union-Castle:				
4½% Pref of £10.	240	10 for 1	5½% Pref £1	240
6% Pref of £1...	2,500	6 for 5	5½% Pref £1	3,000
		1 for 5	6% Red. Pref £1	1,096
		and	and	
		2 for 5	£1 ord.	2,192
Ord. £1	5,480			

holding company at 63s. 9d. with a yield of just over 5 per cent. Union-Castle ordinary shareholders will receive a mixed bag consisting of one-fifth of a 6 per cent redeemable preference share and two-fifths of an ordinary share for each Union-Castle unit; if the preference share is worth par, a price of 30s. for Union-Castle values the new ordinary share at 65s. and puts it on a yield basis of just under 5 per cent. On this construction, Union-Castle might at the moment be a shade dear compared with Clan.

The merger company which promises to be a big, and it is to be hoped a great, shipping group will clearly, and rightly be dominated by Clan Lines. The ordinary capital of the holding company will be divided in the approximate ratio 60 per cent Clan, 40 per cent Union-Castle. The board of directors, still to be appointed, seems likely to be drawn in roughly those proportions. But acceptance of the scheme, which requires the assent of 90 per cent of each class of shareholder is no certainty. It is already being attacked from the Union-Castle side on the grounds that Clan Line will be so much the dominant partner that it amounts to a take-over by Clan—a take-over that values all the securities of Union-Castle collectively at £11.2 million (taking the new ordinary at 63s. 9d. and the new preference at par) against a book value of £20 million for its net assets. It is not, however, a take-over but the acceptance of a minority status that Union-Castle shareholders are asked to swallow, recognising the fact that their company no longer dominates in the trade in which it has lived for 100 years. It is nevertheless to be hoped that the full terms of the offer to be issued later will show the relative assets (at current not balance sheet values) that the two groups put into the merger.

Transoceanic Development Corporation

THE revival of an international market in private capital is thoroughly welcome. International money for development has been found on a substantial scale since the war, mainly from government sponsored organisations, such as the International Bank, and by direct industrial investment. International finance of the private enterprise variety has found little encouragement to look for opportunities across exchange controls and trade restrictions. Transoceanic Development Corporation, backed solely by private capital and banking expertise from America, Britain, and other countries, is a major newcomer into this field.

The new corporation has been formed by Kuhn, Loeb and Company of New York, the First Boston Corporation of New York and S. G. Warburg and Company of London, with the support of a galaxy of banks, issuing and investment houses in the United States, Canada, Britain, France, Germany, Belgium, Holland and Switzerland. The experience and judgment of these institutions is reflected in the constitution of its board, headed by Sir William Wiseman, a partner of Kuhn Loeb; its vice-chairman is Mr George D. Woods, the chairman of the First Boston Corporation; and Mr Siegmund G. Warburg is chairman of the portfolio committee. The corporation has been registered in Canada (where it can secure double tax advantages) with an authorised capital of \$10 million, divided into 100,000 shares. Initially only \$50 a share has been called up. American and Canadian shareholders have provided about three-fifths of the capital and the European participants the remaining two-fifths. It is not intended at present to invite public participation.

Transoceanic Development Corporation will be interested mainly in selected equity investments in countries other than Canada and the United States. It envisages both investment in existing companies and the promotion, financing and development of new enterprises. Its first consideration will be to provide "new capital, in co-operation with local and other investors, for the expansion of mineral, manufacturing and commercial enterprises in countries providing attractive investment opportunities." The charter does not prohibit investment in prior charges (possibly with conversion rights), a device favoured by other development finance companies. But by placing the emphasis upon equity investment the corporation can fill a gap that the efforts of such institutions as the International Bank and the Commonwealth Development Finance Company have left unfilled. Those organisations like to carry other investors with them when they back a new venture so that co-operation between them and Transoceanic Development is a distinct possibility.

Silver's New Peak

SILVER in terms of sterling has this week touched its highest point since the boom that followed World War I. In 1920 it touched 89½d. per standard ounce; this week—now quoted per fine ounce—silver has touched 80½d. The rise in the sterling price follows a vigorous advance

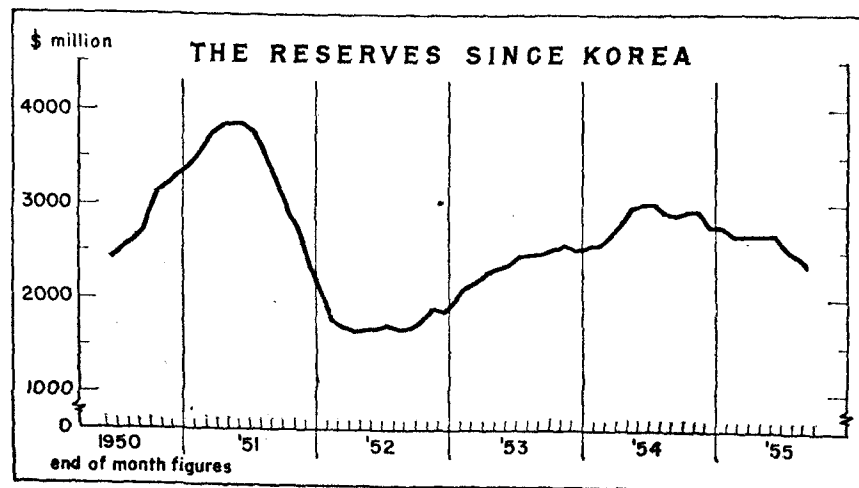
in New York where silver this week has touched 92½ cents per fine ounce and where business has actually been done at 92½ cents. The figures are significant because silver now commands a premium over the price of 91 cents at which the United States Treasury is entitled to sell from its free stocks. It has indeed sold silver this week at 92½ cents, justifying the difference between that figure and the statutory price of 91 cents by explaining that the demand is centred in New York and that Treasury stocks of silver in the east of the United States have been exhausted so that buyers must bear the transport charge from repositories in the west. Appreciable amounts have been sold from the government stocks which are now estimated at the modest total of about 20 million ounces.

It was in March that the rise that has now carried the price of silver through both the US Treasury purchase price for domestic silver and its permitted selling price from its stock began. The advance was started by the news of substantial direct sales of Mexican silver to Saudi Arabia for coining, quickly followed by a similar sale by Mexico to Western Germany. But the importance of these operations lay in the publicity that accompanied them rather than in the amounts sold or the novelty of the traffic. Saudi Arabia has been buying silver for minting persistently since the end of the war. Some of the coinage has indeed been made in this country. Basically more important is the steady growth in the commercial demand for silver particularly by the photographic and electrical industries. Industrial demand now fully fills the gap created when several countries switched to other metals for their token currencies. Moreover that industrial demand is in its very nature more persistent; much of the silver that goes into industry is destroyed as it is used.

The Gold Drain

The fall in the sterling area's gold and dollar reserves by \$112 million in September brings the loss in the third quarter of this year to \$335 million. The recent drain marks the strong adverse psychological forces at work at a time when the commercial balance with the dollar area is itself burdened by heavy seasonal imports by the United Kingdom. The speculative pressures on sterling abated in the middle of last month, following the reassurances given

by Mr Butler at Istanbul. In the second half of September, and in the past week, sterling steadily gained strength in the exchange markets. The September deficit was "virtually all incurred" in the first half of the month. Some \$59 million of the gold loss was attributable to a payment to EPU; but last month's deficit with the Union was larger. At £38 million (\$106 million), it will call for a gold payment next week of \$80 million.



More Tinplate Needed

It is clear that Britain will have to import tinplate again next year; the question is how much. The demand for this material has been rising for over two years, and there is every sign that food canners and other users will need still more in 1956. Yet until the extensions at the Ebbw Vale mill come into operation in about a year's time and the new plant at Velindre is completed a few months later, no considerable increase can be expected in home production. To bridge the gap this year substantial quantities of American and some French tinplate have been imported for the first time. The bulk of the 80,000 tons ordered were delivered in the spring when stocks of tinplate and cans were built up in preparation for the peak canning season between June and September.

The same problem will emerge next spring, long before the new capacity in South Wales becomes available. Output and exports are both only slightly up on last year, when 872,000 tons of tinplate were delivered from the strip mills and from the 100-odd hand mills still in business, and just over 300,000 tons were exported. Food canners received 365,000 tons last year, some 67,000 tons more than in 1953, and this year's increase will be at least as much. All have heavy expansion schemes in hand both for traditional packs and for newer items such as milk and beer; and they see no difficulty in selling substantially more tinned foodstuffs next year.

Stocks of tinplate and empty cans are low and unless exports are squeezed in 1956, imports will almost certainly have to be much higher than 80,000 tons. These shipments

FIFTEEN MONTHS OF PRESSURE
(\$ million)

	Gold payments (-) or receipts (+)*	US Aid	Reserves	
			Change in month	Total
1954				
July ...	+ 80	+ 15	- 4†	3,013
Aug. ...	+ 6	+ 11	- 95‡	2,918
Sept. ...	- 26	+ 9	- 17	2,901
Oct. ...	+ 18	+ 17	+ 35	2,936
Nov. ...	- 25	+ 14	- 11	2,925
Dec. ...	+ 16	+ 8	- 163§	2,762
1955				
Jan. ...	- 12	+ 13	+ 1	2,763
Feb. ...	- 97	+ 15	- 82	2,681
Mar. ...	- 35	+ 21	- 14	2,667
April ...	+ 2	+ 17	+ 19	2,686
May ...	- 18	+ 18	Nil	2,686
June ...	- 16	+ 10	- 6	2,680
July ...	- 140	+ 4	- 136	2,544
Aug. ...	- 91	+ 4	- 87	2,457
Sept. ...	- 114	+ 2	- 112	2,345

* Include settlements with EPU, governed by balance in previous month. † After payments totalling \$99 million to EPU creditors in initial settlement of part of UK's overdraft with Union. ‡ After payment of \$112 million to IMF for "repurchase" of sterling. § After payments totalling \$181 million on United States and Canadian loans.

were ordered and paid for this year by Richard Thomas & Baldwins and the Steel Company of Wales, the principal tinplate producers; and the difference between the delivered cost of imported tinplate and home prices, which must be approaching £1 million for the current year, has been borne by them. Home prices are, however, fixed by the Iron and Steel Board so as to make some provision for this loss and there is still a substantial premium on sales of British tinplate overseas, though this is less than the loss per ton on imported supplies. But the prospect of buying larger quantities from abroad must still exercise the minds of the Board and the importers. There is no shortage of customers in other countries for British tinplate, and the necessity to import more from the dollar and EPU areas next year will only be avoided if exports, over half of which go to sterling area markets, are deliberately cut. Whenever tinplate has been short in the past overseas orders have been held sacrosanct. But Britain has not previously had to exchange dollars and gold for tinplate.

Shipbuilding Prices

IN the last twelve months the world's shipyards outside the United States have been flooded with a spate of orders for dry-cargo ships and ore carriers; more recently the tide has been swollen by wholesale orders for tankers, with promises of more to come. Several yards in Germany and the Netherlands, as well as in the United Kingdom, must by now have all their berth space reserved at least until 1960; and it cannot be easy to place an order for a sizeable ship anywhere in the world for delivery before 1957, except in the United States (at prohibitive cost) or in Japan. In fact, contracts for delivery even up to the end of 1956 already command a substantial premium.

Owners who took advantage of the situation last year and secured early delivery on a fixed price basis at some Continental yards have reason to be satisfied. Shipbuilding prices on the Continent are again showing signs of coming more into line with British prices, as a result of persistent pressure for increased wages (accompanied by strikes in German and French yards) and increasing steel costs, but British prices may take another step ahead if further wage demands are conceded. The danger is that in the coming period of full employment for shipbuilding the effects of this competitive disability will be masked. The experience of last year, when new contracts did not start coming to British yards until Continental yards were nearly fully booked, may be forgotten. But next time there might be no overspill.

"Improvements" and Car Prices

SEVERAL car manufacturers have increased their prices during these last few weeks before the Motor Show. The table shows the amount by which prices of a number of basic models have risen. The increases do not affect all cars in a manufacturer's range. Only the continental

Bentley, for example, has become more expensive, and only the Silver Wraith model of the Rolls-Royce.

PRICES
(Including Tax)

	£	Increase
A.C. Sports.....	1,559	+ 120
Bentley Continental (Mulliner body)	7,027	+ 99
" " (Park Ward body)	6,765	+ 148
Hillman.....	667	+ 17
Humber Hawk.....	1,014	+ 28
M.G. MGA Sports (new car)	844	+ 64
Mercedes 220 Saloon.....	2,200	+ 77
" 300 Cabriolet.....	3,790	- 315
Rolls-Royce Silver Wraith	7,325	+ 673
Rover 75.....	1,297	+ 28
Standard Eight.....	524	+ 14
Standard Ten.....	610	+ 20
Sunbeam.....	1,184	+ 57
Vauxhall Wyvern.....	724	+ 21
Vauxhall Velox.....	797	+ 35
Volkswagen (de luxe s/h).....	745	+ 10

In every case the manufacturers justify their higher prices on the grounds of "improvements" that buyers in more competitive markets might expect to receive gratis as routine technical improvements. The price increases, incidentally, disturb the delicate competitive balance that has existed for some years between the models of different manufacturers: Rootes and Vauxhall have raised prices, Standard has raised those of its small cars and has a new Vanguard due at the show, but Ford and Nuffield this week announced they would not increase their prices.

Selling Chemists Automation

THIS week's conference in London on automatic control in the chemical industries was not simplified for the industrial layman to the extent of the one held so successfully in June by the Institution of Production Engineers, but nor was it addressed primarily to the expert in control engineering. It was designed primarily to educate chemical engineers who have to design and specify new plant about the reliance they can put on instrumentation and control systems in their current stage of development, and to suggest that they should base advances in the design of

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chemical processes upon the possibilities of control that are clearly seen in the instrument laboratories. It is an earnest of the avid interest that the subject of automation now attracts—which properly handled can become the most positive factor in realising the control engineer's hopes—that the conference was planned for about 400 people, and in fact had to accommodate about 700.

In the chemical industries, which most outsiders would think of as having perhaps more automation already than any other except perhaps electricity supply, the control engineers have their own laments. They argue that their traditionally empirical application of instruments and controllers to chemical processes is now hampered by lack of an adequate theoretical foundation. They feel, too, that the people who design and operate chemical equipment are often insufficiently aware of what really goes on throughout the processes concerned—and therefore of the characteristics that it will be worth while to control. That is not an arguing point, but a sober fact; and identifying those significant characteristics is not the least difficult side of process control research. Moreover, some of them feel that the more or less immediate possibilities of instrumentation offer the chances of "leaps" in process design—for instance in the speed of chemical reactions and hence the output of capital equipment—which today's designers are simply not mentally equipped to take. Such problems, at the moment, are far more important than questions of the economics of control equipment, or of trade union reactions to it (which latter one or two speakers seemed to go out of their way to exaggerate). What matters today is to communicate the knowledge of the possibilities of automation to people who are in a position to do something about it—which this conference, within its limits, did.

Break in Wheat—

WITHIN a week the Canadian Wheat Board has reduced its prices by 5 and 7 cents a bushel. On September 30th the price of the top, second and third grades of Northern wheat were cut by 3 cents; grade 4 was cut by 4 cents. The new prices were: 1 Northern 172 (Canadian) cents a bushel, ex-Fort William; 2 Northern 169 cents; 3 Northern 166 cents and 4 Northern 161 cents. On October 5th the board again reduced prices; by 2 cents a bushel for each of the first three grades and by three cents for the fourth grade.

Are these reductions intended to clear the air before the International Wheat Conference on the 26th, or are further reductions on the way? It could be argued that the board has adopted not only a more competitive policy but a more flexible policy, too, for it is remarkable that it should have made a second reduction so soon after the first. Or did the board prefer to take two bites at the cherry, lest a single reduction of 5 and 7 cents scared buyers too much? The point is somewhat academic. Rightly or wrongly many buyers feel that the reductions are not enough in view of the surplus of wheat, and they are prepared to hold off and wait for more. Yet the board could hardly reduce prices much farther without incurring a loss. When allowance is made for the board's operating and stock charges, the

new price of 4 Northern cannot be far away from the 140 cents a bushel initially paid to producers at the beginning of the crop year.

—and Cotton

THE United States carried into the new season on August 1st a record stock of 11 million bales of cotton; its sales abroad have fallen sharply because it is being undercut by every other country, and a huge new crop is coming forward. Something just had to give way—and it was the price. In the past two months New York futures have dropped by 2 cents a lb or 6 per cent, and the average spot price in Southern markets, which hitherto had been resting on the support price of 33.75 cents a lb, has dropped nearly one cent below it. This week there came the sharpest break yet. It was touched off by a private estimate that placed the new crop at over 14.2 million bales, more than 1.3 million bales above the official estimate of the crop on September 1st. If confirmed, this means that by intensive cultivation of the best land cotton farmers have managed to produce half a million bales more than last season from the smallest acreage for half a century. So much for acreage restriction. While only the extremist would consider that American domestic prices are in danger of collapse, all traders fear that the American government will be forced to adopt more radical measures to relieve the surplus. Those fears were reflected in the sharp fall in New York, where May futures, for example, closed nearly one cent lower at about 30.90 cents a lb. That is about 4 cents below what it should cost to buy cotton back from the support agency next May, after carrying charges have been added to the support price.

4 per cent Defence Bonds

THE Government is not quick to alter the rates of interest offered by the securities in the National Savings Committee's ambit. It is argued with some justice that savers of that type do not react quickly to changes in interest rates; the amount they put into savings certificates, defence bonds and savings bank deposits has more to do with the pay packet, the cost of living and the supply of consumer goods, than with the tone of the gilt-edged market. This explains why the first adjustment of the national savings media to the new interest rates—the issue of new 4 per cent defence bonds on November 1st—comes almost a year after gilt-edged yields first turned upwards. The adjustment, however, is due, if not overdue. Defence bonds sales and encashments do in time conform to market rates of interest and the sales in the financial year so far of around £29 million have exceeded by a mere £5 million the amount of the encashments.

The interest rate has been raised from 3½ per cent to 4 per cent—the highest yet paid on a defence bond issue. At the same time the notice required for encashment within the first five years is reduced from six months to three



Steel men take an iron

Three men playing golf — grandfather, father and son. And they have something else in common, too. They are steelworkers at a large works near Glasgow. But they might be in Belgium or Brazil, Canada or France, on any golf course in the world. Wherever golf is played you will find British steel products. Steel in all its forms makes up over 40% of Britain's total exports. And sports goods too play their part in earning foreign currencies for Britain. Even your mid-iron is made of steel. Wherever there is steel there is British steel.

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months. In other respects the terms remain unchanged; redemption is at £103 after 10 years or optionally at £101 after five years, holders reserving the right to claim repayment at par on three months' notice before the expiry of five years. It follows naturally that holders of the last part of fourth issue of 3 per cent bonds (those bought between February and April, 1946, and maturing between the same months of next year) will receive an offer of conversion into the 4 per cent series.

The maximum holding of the new issue has been fixed at £1,000 in addition to the permitted maximum holdings (£3,500 in total) of all earlier issues together. Defence bonds therefore, despite the gross total of £1,700 million sold since 1939, remain widely spread in small holdings, even if those holdings are not all "small investors." The running yield of 4 per cent on the new issue should prove an attraction to a wide range of investors.

Buoyant Revenue: Lagging Expenditure

IT is risky, as the Chancellor reminded his audience at the Mansion House, to attempt to draw conclusions about the outcome of the year's budget from the half-year's revenue return. But there is no reason to question his confident expectation that the out-turn for 1955-56 will better the estimates, at any rate on current account. In the six months to September 30th total ordinary revenue reached £1,817 million, £35 million more than a year before, whereas the estimate for the full year is for a fall of £28 million. The rise in income tax receipts by £9 million, against an estimated fall in the full year of £15.6 million, reflects buoyant incomes but its significance is limited by the fact that a bare quarter of the year's income tax has yet been collected. The increase of £50 million in receipts from customs and excise, only £6 million short of the expected increase in the whole fiscal year, is what might be expected from a spending spree and from an economy at full stretch.

Current expenditure is up by only £55 million, whereas Mr Butler reckoned on an increase of £257 million in the full year. This is the more notable as the rise in money market rates has already increased the cost of debt interest by almost the extra £30 million budgeted for in the full year. As in 1945-55, supply expenditure is running considerably short of estimate — it was expected to increase by £223 million, but has so far risen by only £20 million. The upshot is that the deficit on the above-line account, at £219 million, is only £19 million larger than last year; in the Budget the Chancellor was prepared for a reduction in the unexpectedly large 1954-55 surplus of £433 million to £148 million in 1955-56.

The below-line account, in contrast, appears less favourable than the estimate. Net expenditure in the six months is up by £128 million, some £45 million more than the projected increase in the twelve months. The deterioration may however be temporary, as the increase of £90 million in loans to local authorities (expected to fall by £33 million in the full year) may have been affected by the forestalling of the increases in the Loan Board's lending rates that have taken place in recent months. The increases of £15½ million

in the capital expenditure of the Post Office and of £27 million in compensation payments under the Town and Country Planning Acts are broadly in line with expectations.

New Record for Diamond Sales

THE world's appetite for diamonds shows no ease; indeed, it seems that the giver of gem stones, the user of industrial stones and the American government are all such eager buyers that sales by the Central Selling Organisation will set a new record this year. Sales in the third quarter, announced by De Beers Consolidated Mines, amounted to £16.7 million, well over £2 million higher than in the same quarter of last year. This brought the total for the first nine months to a record £56.1 million, which was £10 million higher than in the same period of last year and £2.4 million higher than the previous record in 1952. Of the £10 million rise in sales between the first nine months of this

SALES BY THE CENTRAL ORGANISATION
£ million

Jan./Sept.	Gem	Industrial	Total
1952	34.4	19.3	53.7
1953	32.6	13.0	45.6
1954	34.7	11.3	46.0
1955	38.6	17.5	56.1

year and last, nearly two-thirds is accounted for by industrial sales, sales of which rose by £6.2 million to £17.5 million. Sales of gems, at £38.6 million, showed a rise of nearly £3 million after allowing for the 2½ per cent increase in prices at the end of last year. Only a major setback could now prevent the figures for the whole year from exceeding the previous best of £69.7 million in 1952. Apparently still more gem stones could be sold if production could be raised further; on the other hand, the producers will be hard put to sell their output of industrial stones after the American strategic purchases cease. The fall in demand will be tempered by the new applications for industrial diamonds that De Beers is developing, but it will take time before new uses can fully replace the strategic demand.

Television Agreement

A SENSIBLE solution has been reached to the squabble over names and initials that broke out between the Associated British Picture Corporation and the Associated Broadcasting Company after ABPC had received the contract to provide week-end commercial television programmes for the Birmingham and Northern transmitters that had been surrendered by Mr Maurice Winnick. The Associated Broadcasting Company is changing its name to Associated Television (ATV) to avoid confusion with ABPC's television subsidiary, and the change has paved the way for an agree-

ment on sharing studios and exchanging programmes between the two groups. Associated Television, which will provide programmes in Birmingham during the week, and which is now providing them in London during the week-ends, had tentatively arranged to share most of the cost of capital installations in Birmingham with Mr Winnick and, since he withdrew, has stood in some danger of having to bear the full costs of these alone. ABPC, on the other hand, was plainly going to find great difficulty in getting programmes ready in time for the opening of the Birmingham transmitter early next year. The two companies have now agreed to share both studios and programmes—so that during the week-end, viewers in London, Birmingham and Yorkshire and Lancashire will in effect receive a single commercial programme from the two companies.

Hire Purchase in Restraint

HIRE purchase figures, as far as they go, again show that the restrictions are beginning to work. They go as far as last month for motor cars and the other durables for which HP Information collects figures and show a continuation—at a slower pace—of the sharp drop that began in August. The total number of contracts recorded by HP Information fell from its peak of 87,842 in July to 65,181 in August and to 59,357 in September this year. Even so it remained well ahead of the total of 52,309 in September last year. Motor cars, motor cycles and caravans (but not commercial vehicles), show declines compared with August. Official policy must take the credit or the blame; the normal seasonal pattern shows a modest increase in September after a sharp fall in August. There is however an oddity. Hire purchase contracts for new cars in September (as opposed to total motor car contracts) showed an increase. They mounted to 6,012 compared with 5,346 in August and with 4,396 in September last year.

NUMBER OF HP CONTRACTS

	Sept., 1954	August, 1955	Sept., 1955
Cars	27,806	35,370	32,080
Commercial Vehicles	4,606	5,916	7,030
Motor Cycles and Side Cars ..	16,807	20,613	17,261
Tractors	619	706	706
Farm Equipment	584	614	630
Caravans	1,184	1,452	1,288

Source: HP Information.

Figures on radio and television sales collected by the British Radio Equipment Manufacturers Association for August also show a turn in the tide. Credit transactions, expressed as a percentage of total sales, fell—for radio sets from 41 per cent in July to 33 per cent in August, for radiograms from 67 to 54 per cent, and for television sets from 61 to 53 per cent. These were in the main percentages of a shrinking total trade. Radio sales fell from 84,000 to 73,000, radiograms from 13,000 to 11,000, though television sales in advance of the start of commercial television rose from 61,000 to 64,000.

Bargain in Flour

WHEN government control over the milling industry was removed in 1953 a disagreement arose between the country's biggest baking business, Allied Bakeries, and two of the biggest millers, Ranks and Spillers. Allied Bakeries held that it should receive special discounts related to the volume of its purchases of flour. The millers refused. Allied Bakeries, which is controlled by the Weston group, then countered by buying flour from Canada and blending it with English flour. Later it bought flour from Australia, too, until it was importing about half its total requirements. Other bakery groups also began to shop around in the world market for flour. A few mills had to be closed and others put on short time. The millers knew that the comfortable days of selling their output to hundreds of small bakers—each taking the same quantity year after year—belonged to the past. Small bakeries were being absorbed by groups, and bigness in baking could be troublesome. At any time a large customer could switch to imported flour, leaving the miller with idle capacity. The Co-operative Wholesale Society, the only miller of comparable size, had an assured market for the bulk of its output; was that not the path of prudence for Ranks and Spillers, too? Reluctantly the two companies decided that it was, and in their annual statements this year they announced laconically that their interest in baking, hitherto minor, had become substantial.

Late last month the two sides came to terms. Allied Bakeries are to take fixed quantities of flour from Ranks and Spillers on a three-monthly basis; the millers are to grant a special discount of 2s. on a 280 lb sack now costing 96s. delivered, equivalent to 16s. a ton. If the bargain proves satisfactory Allied Bakeries will not need more than a small quantity of imported flour for speciality uses, and Ranks and Spillers will not need to extend farther into baking. Both sides seem to gain. Allied Bakeries should have an assured supply of blended flour of regular quality; the millers should have an assured customer at a price that must still be economic. The industry has long argued that the Millers' Mutual—the shy trade association that promptly substituted its own form of control over output when governmental controls were withdrawn—could not exploit the consumer as long as bakers were free to buy imported flour. It is comforting to find that argument confirmed in practice.

Improving Retail Statistics

TRADERS who have been highly critical of the value of the 1950 Census of Distribution, the first of its kind to be taken in this country, may feel more kindly towards it when the process of revising the monthly retail trade figures in the light of data from the census has been completed. The first result of this revision has been a drastic overhaul of the least satisfactory section of the retail trade index, that which deals with the returns from the independent shops. Before the census was taken, little or nothing was known about these shops, and the statisticians knew that the index of their activities had many imperfections.

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An example given in the Board of Trade Journal last week-end demonstrates how correct their suspicions were. Figures prepared by the new method show that between April and May the sales of independent shoe shops rose slightly (taking 1950=100, the rise was 2 points to 121). But by the old method which has been in force up till now the index actually showed a sharp drop of 8 points over the same period. By next year, the Board of Trade hopes to have revised the other sections of the index.

SHORTER NOTES

The National Debt Commissioners have taken up a £15 million issue by the North of Scotland Hydro-Electric Board. The issue was of a Treasury guaranteed 4½ stock (1965-66) and it was placed at a price of 98; the stock will not be quoted on the market.

There will be no further freeing of imports from Europe for the time being. The British government has decided that balance of payments difficulties prevent it from fulfilling its obligation, as a member of OEEC, to raise the percentage of private imports freely admitted from 85 to 90 per cent (base year 1948).

British nylon prices have been reduced by 5 per cent for staple fibre and 10 per cent for filament yarn. Prices were last cut 18 months ago, but competition has since intensified. The new reductions follow the working up to full capacity of plant extensions at the British Nylon Spinners' plant, and present production is at the rate of 30 million pounds a year.

In his address to the autumn meeting of the Institute of Chartered Accountants the president, Mr. W. S. Carrington, gave some interesting—and significant—details about the employment of members of the Institute. There are about

18,800 members, of whom 500 are known to have retired; roughly they find employment as follows:

Engaged in public accountancy in England and Wales:—	
As principals	7,000
As employees	2,500
Engaged in industry, commerce, or retired....	9,500
Not in England and Wales	7,300
Total membership	18,800

In the last six years the number of new articulated clerks registering with the Institute has remained steady at close on 1,400 a year, of whom about 30 per cent pay premiums.

British Railways has decided to spend £350,000 on building a 3¼ mile stretch of special test track 20 miles from its research and engineering laboratories at Derby. Up to now the locomotive test beds at Swindon and Rugby and trials with dynamometer cars on ordinary track have been reasonably adequate for steam traction; but the conversion of railway rolling stock to diesel and electric traction will make larger off-line track and vehicle testing facilities essential. The new track should be ready in two years' time.

Experiments made in cocoa growing in Malaya by Malayan Cocoa Limited, a small company jointly owned by Harrisons and Crossfield, Cadbury and the Colonial Development Corporation, have encouraged these companies to register a new company, United Cocoa Development. It is hoped to interest Continental and American manufacturers of cocoa products in the project.

The BBC has just taken delivery of a colour television camera chain built by Marconi which will be used for experiments. Marconi demonstrated a "compatible" colour system—that is, one which can be picked up on black-and-white screens where necessary—some months ago, and the equipment delivered to the BBC is a development of this design.

Company Notes

GLAXO LABORATORIES. The latest dividend is covered about six times by a net profit of £1,556,000 (against £1,484,189). But earnings look high because Glaxo has to plough back such large sums—£1,100,000 has been put to reserves this year—to support research. Research and development have to be maintained at a quick pace to hold a high place in the competitive market for pharmaceuticals. Attracted, presumably, by the high earnings yield investors are still willing to accept a dividend yield of only 3.8 (on

the new dividend of 12½ per cent and at the current market price of 33s.).

That price was established after the publication of the preliminary report had brought the shares down by 1s. 9d. There was a reason for that too. Gross profits before tax have fallen by about £100,000 to £2,600,000. Thus it seems for the fourth year running trading profits have declined. Fierce competition in the market for antibiotics is probably the explanation. Such a decline, however slight, throws a shadow across growth potentialities. Does the base of the business need broadening? If so investors will find encouragement in the news that the offer by Glaxo for the issued capital of the Murphy Chemical Company has

been accepted by holders of over 90 per cent of the ordinary shares. Murphy Chemical is a private company engaged in the manufacture and distribution of insecticides, fungicides and fumigants for use in horticulture and agriculture.

FORD MOTOR. This company joined the growing list of industrial giants publishing half-yearly reports. Its unaudited profit statement has been issued with the interim ordinary dividend announcement. That dividend is 2½ per cent, which allowing for the 100 per cent free scrip issue is exactly equivalent to the dividend of 5 per cent paid a year ago. The most significant point in the statement comes at the end. The directors say "although the volume of home and export sales in the half year to June 30, 1955, has been maintained since that date, profit margins are now being affected by increases in costs of materials and labour."

	Six months to June 30, 1954	Six months to June 30, 1955
Sales, sales and profits:		
Sales	52,579,353	77,979,509
Profit before tax	9,370,723	11,382,120
Provision for fall in value of Govt. securities		1,121,174
Taxation	4,791,925	4,237,162
Net profit	5,078,803	6,023,784
No. of vehicles sold	115,262	182,392

The half-yearly figures themselves show some evidence of the squeeze on profit margins. The number of vehicles produced and the total value of sales have both gone up by about 25 per cent but profits before tax have risen by only about 15 per cent. Even though net earnings are high, that squeeze and the decision merely to maintain the interim payment throws a slight shadow of doubt across the confident expectations entertained earlier this year that the total dividend for 1955 would be 10 per cent.

ASSAM COMPANY is one of the larger British tea enterprises in India, and the oldest; over the turn of the year it was the vortex of a struggle for control when Mr Haridas Mundhra, presumably seeking control, ran the £1 ordinary shares up to 57s. 6d. Since then there has been a 50 per cent scrip issue and they now stand at 26s. 6d. (equal to 39s. 9d. on the old basis). With Mr Mundhra for the moment at least defeated, the flurry has died down and Mr Peter Remnant, the chairman, has nothing to say about it in his review except that since the reconstruction of February 7th "there has been no take-over bid or inquiries that might have led to such an offer." In surveying the accounts shareholders must forget the booming share market, forget, too, the knowledge that the company's assets are worth something in the region of £4 a share—though the recent sale of two of the company's outlying gardens at £292 10s 9d an acre, does not belie the highest estimates of its asset values.

Assam Company as a going concern paying a 3 per cent tax-free interim on its old capital and a 12 per cent tax free final dividend on the new capital last year gave shareholders the equivalent of 24.35 per cent gross against the equivalent of 8 per cent gross on the present capital for 1954. At 26s. 6d. its shares yield 18.4 per cent. From the glorious tea year of 1954 the company could hardly do otherwise. Its gross profit was £1,160,544 (against £565,199) and despite higher costs in various directions the net profit was up from £215,180 to £395,687. Reserves received in total £173,394, against £148,414. As these figures were realised from an average sale price in 1954 of 5s. 1.85d. per lb., an increase of only 1s. 3.37d. over the 1953 price, the outlook for 1955 (about which Mr Remnant says nothing) should not be discouraging. He evidently has some doubts and fears about long term prospects in India, for the board is "closely watching the possibilities of growing tea outside India."

NINE MONTHS' CAPITAL ISSUES (Excluding Conversions)

Nine Months to Sept. 30	Old Basis*		New Basis†		Nine Months to Sept. 30	Old Basis*		New Basis†	
	1954	1955	1954	1955		1954	1955	1954	1955
Total Borrowing (£ million)									
Br. Govt.†	508.0	349.7	529.4	349.8	Br. Govt. . .	508,040	349,666	529,705	349,830
Br. Corp. (a)	12.8	Nil	12.8	Nil	Br. Corp. (a)	12,790	Nil	12,790	Nil
Br. Co's.	173.6	190.3	209.0	235.2	Dom. & Col. Govt. . .	25,388	3,880	25,823	4,330
Br. Total . .	694.4	540.0	751.2	585.0	For. Govt. . .	Nil	Nil	Nil	Nil
Empire	45.6	29.6	46.0	30.8	Bank & Ins. . .	15,670	16,058	18,131	24,430
Foreign	4.9	1.3	4.9	1.6	Oil	Nil	Nil	Nil	Nil
Total	744.9	570.9	802.4	615.4	Eng'ng, etc. . .	17,810	17,037	27,119	18,660
Total Company Issues (£ million)									
Deb.	84.2	55.4	91.8	75.2	Electrical . . .	7,232	37,312	8,453	41,421
Pref.	26.0	19.6	31.9	22.8	Iron, Coal & Steel . . .	28,261	41,814	28,802	42,810
Ord.	88.5	142.4	110.4	163.3	Textiles	1,637	40	5,240	1,157
Total	198.7	217.4	234.1	261.3	Motors, etc. . .	4,992	626	6,361	626
Analysis of Issue Applications (£ thousand)									
Br. Govt. . .	508,040	349,666	529,705	349,830	Breweries . . .	3,712	2,777	3,858	3,726
Br. Corp. (a)	12,790	Nil	12,790	Nil	Shipping	Nil	10,685	1,943	10,685
Dom. & Col. Govt. . .	25,388	3,880	25,823	4,330	Mines	15,836	6,627	15,836	7,451
For. Govt. . .	Nil	Nil	Nil	Nil	Others	103,570	84,362	118,326	110,292
Bank & Ins. . .	15,670	16,058	18,131	24,430	Total	744,938	570,884	802,387	615,418
Oil	Nil	Nil	Nil	Nil					
Eng'ng, etc. . .	17,810	17,037	27,119	18,660					
Electrical . . .	7,232	37,312	8,453	41,421					
Iron, Coal & Steel . . .	28,261	41,814	28,802	42,810					
Textiles	1,637	40	5,240	1,157					
Motors, etc. . .	4,992	626	6,361	626					
Breweries . . .	3,712	2,777	3,858	3,726					
Shipping	Nil	10,685	1,943	10,685					
Mines	15,836	6,627	15,836	7,451					
Others	103,570	84,362	118,326	110,292					

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

LONDON STOCK EXCHANGE

Next Account begins: October 19th
Next Contango Day: October 19th
Next Settlement Day: October 11th

GILT-EDGED securities, which marked time at the beginning of the week, attracted some investment support on Tuesday and improved further after the Chancellor's speech at the Lord Mayor's Banquet. Gains ranged up to ½ on Wednesday, Treasury 2½ per cent 1975 rising to 56½ and Gas 3 per cent (1990/95) to 73½xd.

Industrial shares lost ground at the close of the old account in anticipation of a cut in Government spending and further domestic restrictions, the decline being accelerated in the new account. German bonds were unsupported with the exception of Potash Syndicate Loans, the 6½ per cent and 7 per cent both gaining 2 to 230 and 250 respectively. Insurance issues continued to weaken, Prudential "A" losing 2 to 44 and Pearl 1½ to 22½. Alliance at 79s. 6d. and London and Lancashire at 7½ fell to their lowest points for the year.

Electrical shares were marked down and radio manufacturers were affected by the downward trend in sales and fears of an increase in purchase tax. Dealings began on Monday in Simon-Carves at 3s. premium and strong demand brought the premium to 4s. 6d.; later the premium fell back to 4s. 3d. Hire purchase finance shares declined further, Olds Discount losing 1s. to 19s. while United Dominions Trust lost 3s. 9d. to 77s. 6d. Stores receded further on Wednesday, Great Universal "A" falling 1s. 7½d. to 41s. 6d. Tobacco shares showed small gains, Godfrey Phillips rising 1s. 3d. to 17s. 6d. George Dobie improved 7s. to 28s. 9d. on a tentative offer for the shares. Textiles were lower following a cut in prices by British Nylon Spinners. Bradford Dycers and Tootal were at the worst for the year.

Tramp shipping continued strong, but P & O declined fractionally to 30s. 10½xd. Oils became firmer on increased American support. Record sales of diamonds attracted support for De Beers deferred at 6½ and Anglo-American Investment at 9½. Kaffirs remained inactive.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Sept. 28.	191.6	99.72	4.45	5.08
" 29.	192.4	99.82	4.44	5.06
" 30.	191.0	99.83	4.44	5.09
Oct. 3.	188.8	99.42	4.45	5.15
" 4.	189.0	99.63	4.44	5.15
" 5.	187.7	99.91	4.40	5.18
1955, High.				
(July 21)	223.9	115.97	Sept. 28	8,870
(Mar. 15)	175.7	98.23	" 29	8,761
(Dec. 31)	184.0	118.10	Oct. 3	11,150
(Jan. 1)	131.1	111.78	" 5	10,499
1954, High.				
(Jan. 1)	111.5	111.5	" 5	9,163

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Oct. 5		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Sept. 28, 1955	Price, Oct. 5, 1955	Yield, Oct. 5, 1955 %	Gross Yield, Oct. 5, 1955 %	Prices, 1955 Jan. 1 to Oct. 5		Last Two Dividends (a) (b) (c)			ORDINARY STOCKS		Price, Sept. 28, 1955	Price, Oct. 5, 1955	Yield, Oct. 5, 1955 %
High	Low							High	Low								
100 1/4	96 1/2	Funding 2 1/2% '52-57		97 1/4	97 1/4	4 5/8	4 5/8	46 1/2	35/9	17 1/2			STEEL & ENGINEERING		39/-	38/-	4 12 1/2
100 1/4	97 1/2	War Bonds 2 1/2% '54-56		98 1/4	98 1/4	2 17/8	2 17/8	13 10 1/2	10/-	10 1/2			4 a B.S.A. £1		11 1/2	11 1/2	6 1 1/2
100 1/4	97 1/2	War Loan 3% '55-59		94 1/4	94 1/4	3 2 7/8	3 2 7/8	27 1/2	27 1/2	27 1/2			3 a Cammell Laird 5/-		31 1/2	31 1/2	5 13 5/8
100 1/4	99 1/2	Serial Funding 3% 1955		99 16/10	99 16/10	8 1/2	8 1/2	36 1/2	31 1/2	31 1/2			3 a Colvilles £1		32 1/2	31 1/2	5 1 1/2
99 1/2	91 1/2	Serial Funding 2 1/2% 1957		96 1/2	96 1/2	2 18 1/2	2 18 1/2	54 1/2	51 1/2	5 1/2			8 a Dorman Long £1		43 1/2	43 1/2	4 11 5/8
97 1/2	91 1/2	Conv. 2% 1958-59		92 1/2	92 1/2	3 9 11/16	3 9 11/16	79 1/2	42/-	12 1/2			15 b Guest Keen N'fold £1		68 1/2	67 1/2	3 14 1/2
104 1/2	89 1/2	Exchequer 2% 1960		90 1/2	90 1/2	3 10 6	3 10 6	47 1/2	27 1/2	6 1/2			5 a Stewarts & Lloyds £1		38 1/2	37 1/2	5 6 8/8
100 1/4	92 1/2	Exchequer 3% 1960		94 1/2	94 1/2	3 0 9/16	3 0 9/16	50 1/2	28 1/2	6 1/2			4 a Summers (John) £1		42 1/2	42 1/2	4 15 3/8
100 1/4	83 1/2	Savings Bonds 3% '55-65		86 1/2	87 1/2	3 4 11/16	3 4 11/16	47 10 1/2	35 1/2	6 1/2			4 a United Steel £1		37 1/2	36 1/2	4 14 5/8
100 1/4	86 1/2	Funding 2 1/2% '56-61		90 1/2	90 1/2	3 6 0	3 6 0	4 8 1/2	20 1/2	6 1/2			2 a Vickers £1		37 1/2	36 1/2	4 14 5/8
103 1/2	90 1/2	Funding 3% '59-69		91 1/2	91 1/2	3 6 4	3 6 4	30 1/2	25 1/2	3 1/2			4 a Bradford Dycers £1		21 1/2	20 1/2	9 15 1/2
102 1/2	97 1/2	Funding 4% '60-70		91 1/2	91 1/2	4 8 0	4 8 0	35 1/2	25 1/2	2 1/2			7 b Brit. Celanese £1		26 1/2	26 1/2	7 13 10
99 1/2	95 1/2	Savings Bonds 3% '60-70		91 1/2	91 1/2	3 5 2	3 5 2	29 1/2	23 1/2	2 1/2			6 b Coats (J. & P.) £1		24 1/2	23 1/2	7 8 11/8
99 1/2	95 1/2	Exchequer 2% '62-63		96 1/2	96 1/2	3 0 8	3 0 8	55 1/2	35 1/2	4 1/2			4 a Courtaulds £1		44 1/2	42 1/2	4 14 8
99 1/2	95 1/2	Exchequer 2 1/2% '63-64		96 1/2	96 1/2	3 5 2	3 5 2	34 1/2	24 1/2	2 1/2			5 a Lancs. Cotton £1		25 1/2	25 1/2	10 0 0
105 1/2	98 1/2	Savings Bonds 2 1/2% '64-67		80 1/2	81 1/2	3 7 9	3 7 9	36 1/2	28 1/2	2 1/2			10 b Patons & Baldwins £1		31 1/2	31 1/2	7 17 6
103 1/2	98 1/2	Funding 4% '20-76		95 1/2	95 1/2	2 13 11/16	2 13 11/16	15 1/2	9 1/2	6 1/2			3 a Bristol Aeroplane 10/-		20 1/2	19 1/2	5 1 3/8
103 1/2	98 1/2	Funding 3% '66-68		92 1/2	92 1/2	3 6 5	3 6 5	15 1/2	21 1/2	8 1/2			4 a British Motor 5/-		23 1/2	23 1/2	6 5 0
99 1/2	95 1/2	Conv. 3 1/2% 1969		86 1/2	87 1/2	3 5 5	3 5 5	27 10 1/2	21 1/2	15 1/2			Nil c De Havilland £1		23 1/2	23 1/2	Nil
99 1/2	95 1/2	Treas. 3 1/2% '77-80		82 1/2	83 1/2	2 19 6	2 19 6	43 1/2	37 1/2	7 1/2			2 a Ford Motor £1		46 1/2	44 1/2	3 7 5/8
99 1/2	95 1/2	Treas. 3 1/2% '79-81		82 1/2	83 1/2	2 19 6	2 19 6	43 1/2	43 1/2	25 1/2			5 a Hawker Siddeley £1		52 1/2	51 1/2	4 17 1/8
99 1/2	95 1/2	Redemption 3% '86-96		72 1/2	72 1/2	2 17 2	2 17 2	52 1/2	33 1/2	5 1/2			30 c Leyland Motors £1		42 1/2	41 1/2	4 17 0
99 1/2	95 1/2	Funding 3 1/2% 1999-2004		80 1/2	81 1/2	2 14 8	2 14 8	133 1/2	71 1/2	12 1/2			12 b Rolls Royce £1		111 1/2	108 1/2	3 4 5
99 1/2	95 1/2	Consols 4% aft. Feb. '57		84 1/2	84 1/2	2 14 6	2 14 6	15 1/2	12 1/2	12 1/2			12 c Standard Motor 5/-		10 1/2	9 1/2	6 6 4
99 1/2	95 1/2	War L'n. 3 1/2% aft. Dec. '52		76 1/2	76 1/2	2 12 10	2 12 10	12 1/2	12 1/2	17 1/2			3 a Boots Pure Drug 5/-		17 1/2	17 1/2	3 17 5/8
99 1/2	95 1/2	Conv. 3 1/2% aft. April '61		74 1/2	75 1/2	2 13 4	2 13 4	47 1/2	36 1/2	7 1/2			20 b Debenhams 10/-		40 1/2	40 1/2	6 17 6
99 1/2	95 1/2	Treas. 3% aft. April '66		65 1/2	65 1/2	2 12 5	2 12 5	47 1/2	43 1/2	15 1/2			45 b Gt. Universal 5/-		46 1/2	43 1/2	6 17 11/8
99 1/2	95 1/2	Consols 2 1/2%		56 1/2	56 1/2	2 10 7	2 10 7	114 1/2	92 1/2	5 1/2			17 b Lyons (J.) 'A' £1		92 1/2	96 1/2	4 13 6
99 1/2	95 1/2	Treas. 2 1/2% aft. April '75		55 1/2	56 1/2	2 11 2	2 11 2	76 1/2	58 1/2	15 1/2			30 b Marks & Spen. 'A' 5/-		67 1/2	66 1/2	3 8 0
99 1/2	95 1/2	Br. Elec. 4 1/2% '67-69		79 1/2	80 1/2	3 4 3	3 4 3	71 1/2	55 1/2	36 1/2			20 a Woolworth 5/-		58 1/2	57 1/2	4 6 11 1/2
99 1/2	95 1/2	Br. Elec. 3% '68-73		79 1/2	80 1/2	3 2 1	3 2 1	110 1/2	68 1/2	5 1/2			On.				
99 1/2	95 1/2	Br. Elec. 3% '74-77		71 1/2	72 1/2	2 16 7	2 16 7	44 1/2	26 1/2	12 1/2			14 b British Petroleum £1		114 1/2	108 1/2	2 15 2 1/2
99 1/2	95 1/2	Br. Elec. 3 1/2% '74-79		91 1/2	93 1/2	2 16 7	2 16 7	44 1/2	50 1/2	7 1/2			13 b Burmah £1		75 1/2	72 1/2	2 17 11/8
99 1/2	95 1/2	Br. Elec. 3 1/2% '76-79		83 1/2	84 1/2	2 19 7	2 19 7	43 1/2	45 1/2	6 1/2			10 b Royal Dutch 100 fl.		60 1/2	68 1/2	2 11 10
99 1/2	95 1/2	Br. Gas 4% '69-72		90 1/2	91 1/2	2 18 10	2 18 10	15 1/2	109 1/2	5 1/2			10 b Shell Reg. £1		131 1/2	129 1/2	4 0 6
99 1/2	95 1/2	Br. Gas 3 1/2% '69-71		85 1/2	86 1/2	3 2 1	3 2 1	44 1/2	26 1/2	15 1/2			5 b Trinidad L'holds 5/-		39 1/2	37 1/2	4 12 9
99 1/2	95 1/2	Br. Gas 3% '90-95		72 1/2	73 1/2	2 16 8	2 16 8	1 1/2	37 1/2	12 1/2			SHIPPING				
99 1/2	95 1/2	Br. Trans. 3% '68-73		79 1/2	80 1/2	3 4 3	3 4 3	13 1/2	25 1/2	12 1/2			14 c Cunard £1		27 1/2	27 1/2	7 8 2 1/2
99 1/2	95 1/2	Br. Trans. 4% '72-77		89 1/2	90 1/2	2 18 5	2 18 5	15 1/2	45 1/2	13 1/2			14 c Furness Withy £1		47 1/2	47 1/2	5 19 2
99 1/2	95 1/2	Br. Trans. 3% '78-88		73 1/2	74 1/2	2 19 0	2 19 0	10 1/2	27 1/2	13 1/2			3 a P. & O. Def. £1		31 1/2	31 1/2	5 3 3 1/2
(e) To earliest date. (f) Flat yield. (l) To latest date. * Ex dividend. † Assumed average life approx. 12 years. § Less tax at 8s. 6d. in £.																	
Prices, 1954		Prices, 1955 Jan. 1 to Oct. 5		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Sept. 28, 1955	Price, Oct. 5, 1955	Yield, Oct. 5, 1955 %									
High	Low	High	Low														
97 1/2	90 1/2	94 1/2	79	Aust. 3 1/2% '65-69		80 1/2	81 1/2	5 2 1/2									
101 1/2	97 1/2	101 1/2	87	Ceylon 4% '73-75		89 1/2	88 1/2	4 18 0									
106 1/2	98 1/2	103 1/2	87 1/2	N. Zealand 4% '76-78		88 1/2	88 1/2	4 17 0									
99 1/2	91 1/2	75 1/2	61	L.C.C. 3% aft. 1920		64 1/2	64 1/2	4 12 6									
99 1/2	95 1/2	99 1/2	83	Liverpool 3% '54-64		84 1/2	84 1/2	5 1 0									
104 1/2	100 1/2	104 1/2	85	M.Wtr. 'B' 3% 54-2003		67 1/2	68 1/2	4 14 6									
109 1/2	107 1/2	122 1/2	91	Agric. Mort. 5% '59-89		96 1/2	95 1/2	5 0 7 1/2									
168 1/2	102 1/2	122 1/2	91	German 7%		111 1/2	110 1/2	...									
171 1/2	132 1/2	215	149	German 5 1/2%		198 1/2	195 1/2	...									
198 1/2	167	211	160	Japan 5% 1907		207 1/2	207 1/2	...									
		254	190	Japan 5 1/2% Conv. 1930		246 1/2	245 1/2	...									
Prices, 1955 Jan. 1 to Oct. 5		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Sept. 28, 1955	Price, Oct. 5, 1955	Yield, Oct. 5, 1955 %									
High	Low																
58 1/2	45 1/2	%		BANKS & DISCOUNT													
76 1/2	57 1/2	1 1/2		6 a Barclays £1		46 1/2	46 1/2	5 3 3									
89 1/2	74 1/2	18 1/2		6 a Lloyds 'A' 5/- pd.		58 1/2	57 1/2	5 4 4									
87 1/2	66 1/2	18 1/2		9 a Midland £1, fully pd.		75 1/2	74 1/2	4 16 8									
				9 a Lloyds 'B' 5/- pd.		63 1/2	67 1/2	5 6 8									
143 1/2	106 10 1/2	50 b		20 a Anglo-Amer. 10/-		9 1/2	9 1/2	3 16 5									
				80 a De Beers 5/- Bearer		128 1/2	128 1/2	8 10 1/2									
				... Free State Geduld 5/-		86 1/2	81 1/2	9 2 1/2									
				10 a Randfontein £1		55 1/2	55 1/2	11 10 1/2									
				28 a London Tin 4/-		9 3/4	9 3/4	12 13 10									
				20 a Rhokana £1		43 1/2	43 1/2	6 3 3									

Statistics

The following list shows the most recent date on which each statistical page appeared.			
BRITISH		OVERSEAS	
Prices and Wages.....	Oct. 1st	Western Europe	Oct. 1st
Production and Consumption	This week	Production and Trade.....	This week
Manpower.....	Sept. 17th	British Commonwealth	This week
External Trade.....	Sept. 24th	Western Europe	Sept. 17th
Financial Statistics	This week	Prices and Money Supply	Sept. 24th
Industrial Profits	July 23rd	United States	Sept. 24th
	World Trade.....	July 23rd	

UK Production and Consumption

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

	Unit	Monthly averages			1954			1955			
		1952	1953	1954	June	July	August	May	June	July	August
INDUSTRIAL PRODUCTION											
Index:											
All industries.....	1948=100	114	121	129	128	117	113	138	136	121	118-119 ⁽¹⁾
Mining and quarrying	"	109	109	110	107	89	93	109	105	85	...
Building and contracting	"	103	110	111	112	111	111	112	112	...	...
Gas, electricity and water	"	127	132	142	123	118	119	141	131	119	...
Manufacturing, total											
Engineering, shipbuilding, electrical goods	"	115	123	133	133	120	115	145	143	126	...
Vehicles	"	127	129	140	138	123	116	155	157	...	...
Chemical trades	"	124	138	155	156	149	127	180	182	...	...
Textiles and clothing	"	132	151	166	168	158	155	180	...	...	...
Food, drink and tobacco	"	99	114	116	113	103	98	118	112	...	...
	"	108	114	116	122	112	113	128	126	...	...
BASIC MATERIALS											
Production of:											
Coal (1)(2)	W '000 tons	4,332	4,300	4,298	4,212	3,522	3,637	4,290	4,175	3,408	3,552
Pig-iron	W "	202	215	229	233	211	227	242	217	231	236
Steel, ingots and castings	W "	310	339	356	372	263	326	402	364	308	345
Sulphuric acid	M "	125.5	156.3	170.2	165.5	161.3	162.9	177.7	170.6	...	...
Newsprint	W "	10.32	11.60	11.77	12.47	8.68	10.04	12.07	11.95	...	...
Electricity (1)	M mn. kwh	5,166	5,459	6,075	5,090	4,972	5,028	6,214	5,636	5,115	...
MANUFACTURING											
Textile production:											
Cotton yarn, single	W mn. lb.	14.82	17.97	19.17	17.36	17.10	16.43	18.18	14.92	14.02	13.58
Worsted yarn	M "	14.84	18.40	18.80	18.08	18.29	14.26	18.28	19.05	16.63	...
Rayon and synthetic fibres, total	M "	23.59	34.94	37.30	37.38	38.05	35.34	40.48	39.86	36.70	35.58
Rayon and synthetic fibres, staple fibre	M "	10.59	16.85	19.00	19.21	20.81	18.53	20.38	19.59	18.80	16.70
Cotton cloth, woven	W mn. yds.	32.5	35.2	38.3	39.0	24.7	38.6	38.9	33.8	20.4	...
Wool fabrics, woven	M mn. sq yds.	31.5	34.3	34.5	33.2	34.7	25.6	31.5	34.8	31.7	...
Engineering production:											
Passenger cars and chassis	W '000s	8.62	11.44	14.79	14.71	15.66	9.81	18.28	17.19	13.51	...
Commercial vehicles and chassis	W "	4.65	4.61	5.17	4.89	4.93	3.34	6.72	6.32	5.27	...
Metal-working machine tools	M '000 tons	12.58	12.63	11.39	11.35	10.63	9.60	13.24	...	...	...
Internal combustion engines	M '000 BHP	331	311	356	333	306	313	421	...	...	...
BUILDING ACTIVITY											
Permanent houses completed: (1)											
Total	M '000s	19.99	26.56	28.97	30.97	30.16	26.84	24.93	27.19	25.59	23.9
For private owners	M "	2.86	5.24	7.55	7.63	8.08	7.64	9.25	9.89	9.43	9.4
For local housing authorities	M "	16.11	19.91	19.58	21.10	20.16	17.41	14.91	16.50	15.09	13.0
Other	M "	1.03	1.41	1.83	2.24	1.92	1.80	0.78	0.80	1.07	0.6
WHOLESALE SALES (1)											
Textile houses:											
Total home sales	Av. value 1950=100	90	95	95	75	67	82	88	79	71	...
Women's and children's wear	"	90	96	96	72	65	89	89	75	70	...
Men's and boys' wear	"	82	91	90	77	66	68	83	79	76	...
Piece-goods	"	68	66	63	52	52	56	60	47	49	...
RETAIL SALES (1)											
Large retailers:											
All merchandise	Weekly av. value 1950=100	117	124	132	129	133	123	140	138	144	...
Clothing and footwear	"	110	113	125	129	130	107	138	138	150	...
Household goods	"	102	110	125	111	132	115	129	118	134	...
Independent retailers:											
Clothing and footwear	"	95	94	97	98	107	82	104	99	121	...
Household goods	"	109	120	132	111	130	128	129	118	137	...
STOCKS											
Basic materials:											
Coal, distributed (1)	'000 tons	15,801	17,626	15,682	14,682	15,218	14,953	11,640	13,202	14,255	15,000
Steel	"	817	1,112	899	1,098	1,159	1,214	936	946	...	...
Copper (1)	"	131.9	55.3	61.5	68.1	67.3	77.4	58.5	64.3	...	...
Sulphur	"	211.8	66.8	67.2	79.8	79.9	111.6	92.3	82.0	...	...
Newsprint	"	189.7	110.6	97.5	105.6	101.1	100.1	113.2	117.7	...	...
Textiles:											
Wholesale houses, total (1)	Av. value 1950=100	74	89	95	110	117	120	107	104	110	...
Large retailers, clothing and footwear (1)	"	92	102	107	121	108	113	130	124	109	...

(1) Great Britain. (2) Provisional estimate. (3) 1954 figures exclude all screening losses normally amounting to around 5,000 tons a week. (4) Excluding government stocks from August, 1953. (5) Average for second quarter.

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				'000 tons		million kwh				
1938	973	987	2,362	1,335	72	...	363	2,168	...	286	478
1953	1,535	1,032	2,998	2,335	889	19.3	1,079	5,457	558	312	1,112
1954	1,644	953	3,064	2,404	1,062	21.4	1,206	5,761	627	312	1,220
1955, February	1,566	902	3,249	2,366	1,209	20.0	1,163	5,973	629	281	1,252
" March	1,638	1,034	3,304	2,778	1,265	23.0	1,315	6,635	699	322	1,334
" April	1,498	758	3,233	2,613	...	22.7	1,243	6,363	691	311	1,293
" May	1,687	848	3,175	2,653	...	...	1,396	6,640	706	345	1,414
" June	1,780	...	...	2,647	...	...	...	6,090	...	360	1,415

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	106	89.6	338	994.7
1954	19.5	28.8	7.8	48.7	5.93	185	237	140	117	93.2	364	1,102.3
1955, April	20.2	29.9	7.0	44.7	5.40	158	322	145	130	79.2	370	1,193.0
" May	20.3	31.4	5.4	49.8	5.33	188	339	143	143	87.1	383	1,220.5
" June	20.9	31.5	5.8	50.5	6.69	167	...	...	136	...	...	1,217.7
" July	22.3	30.6	8.5	56.0	...	184	...	...	...	...	...	1,251.2
" August	...	...	9.7	54.4	...	...	...	...	...	...	...	1,268.0

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C\$		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1938	10.6	11.8	56	71	...	...	4.62	4.76	...	...	7.97	2.71
1953	42.5	70.9	365	348	477	442	16.01	19.61	112.6	125.8	35.45	28.33
1954	56.6	67.9	341	329	528	486	20.45	20.33	92.8	107.2	36.94	26.48
1955, March	77.6	77.5	376	355	577	473	24.6	30.4	85.4	94.4	47.8	31.9
" April	73.2	57.1	383	340	513	396	22.0	18.9	65.3	114.4	40.2	25.6
" May	78.9	67.1	434	373	511	444	...	26.5	62.0	95.8	...	...
" June	74.7	69.2	402	383	512	475	...	...	85.2	119.3	...	...
" July	...	...	373	357	...	...	...	...	...	...	...	...

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	119	108	134	112	130	136	
1954.....	1,133	1,955	1,782	174	416	180	120	104	141	110	133	137	
1955, April.....	...	1,881	1,749	159	368	183	{	120	96	{	104	136	
" May.....	...	1,894	1,739	168	345			120	95		144	103	136
" June.....	...	1,940	1,751	250 ^o	338			119	97		103	136	
" July.....	...	1,948	1,753	257 ^o	342			120	...		...	...	...
" August.....	...	1,945	...	...	340	...	...	...	...	...	...	...	

Financial Statistics

EXCHEQUER RETURNS

For the six days ended September 30th there was an "above-line" deficit (after allowing for Sinking Funds) of £18,118,000 compared with a surplus of £5,450,000 in the previous week and a deficit of £624,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £14,792,000, bringing the total cumulative deficit to £540,175,000 (£392,940,000 in 1954-55).

£'000	Estimate, 1955-56	April 1, 1954 to Sept. 30, 1954	April 1, 1955 to Sept. 30, 1955	Five days ended Sept. 30, 1954	Six days ended Sept. 30, 1955
Ord. Revenue					
Income Tax	1877,400	469,129	477,865	14,378	19,589
Sur-tax	136,000	31,900	29,200	500	800
Death Duties	185,000	91,200	91,600	1,800	2,300
Stamps	74,000	34,670	37,400	1,270	1,500
Profits Tax & E.P.T.	180,000	83,800	92,600	2,000	3,900
Excess Profits Levy	25,000	45,200	13,100	1,200	200
Special Contribution and other Inland Revenue	1,000	680	250	...	...
Total Inland Rev.	2478,400	756,579	742,015	21,148	28,289
Customs	1131,700	555,589	568,206	16,340	19,655
Excise	796,050	360,035	397,480	9,330	12,865
Total Customs and Excise	1927,750	915,624	965,686	25,670	32,520
Motor Duties	80,000	14,899	17,323	138	...
PO (Net Receipts)	25,000	7,450	9,100	1,700	1,900
Broadcast Licences	24,000	19,652	22,613	45	7,695
Sundry Loans	175,000	66,818	60,170	...	...
Miscellaneous	...	...	...	...	...
Total	4710,150	1781,822	1816,908	46,601	70,295
Ord. Expenditure					
Debt Interest	600,000	271,425	301,374	1,244	2,288
Payments to N. Ireland Exchequer	53,000	22,647	26,243	...	2,317
Other Cons. Fund	10,000	4,448	5,643	79	212
Supply Services	386,875	1664,328	1684,741	45,675	83,122
Total	4525,875	1962,849	2018,001	46,999	87,940
Sinking Funds	36,000	17,943	17,474	227	473
"Above-line" Surplus or Deficit		199,169	218,567	624	18,118
"Below-line" Net Expenditure		193,771	321,608	2,096	14,792
Total Surplus or Deficit		392,940	540,175	1,472	32,910
Net Receipts from:					
Tax Reserve Certificates	192,819	79,148	8,063	27,678	...
Savings Certificates	5,500	12,300	...	...	...
Defence Bonds	7,462	8,303	100	2746	...

THE MONEY MARKET

CREDIT has been continuously tight in Lombard Street in the past week. The stringency was most acute before the weekend. In these phases of acute credit shortage rates for overnight loans have been forced up to 4½ per cent, whilst December maturities have been sold at 4½ and 4¼ per cent.

Applications at the Treasury bill tender on Friday last were down by £10 million to £359.5 million. The offer was unchanged at £280 million, and as the market maintained its bid at £98 19s. 8d. per cent its allotment rose slightly from 69 to 70 per cent. At yesterday's tender the offer was reduced by £10 million to £270 million, so that new bills, as in the past week, will fall short of maturities by £10 million.

Sterling has continued firm in the exchange markets this week, against both the dollar and Continental currencies. The spot rate on New York touched \$2.78½ on Monday, and fell back only slightly thereafter.

The price of silver in the London market rose to a new peak following the weekend rise in New York. Cash silver is now quoted at 80½d. an ounce and forward at 79½d.

The Bank return shows an increase in the active note circulation of £3.1 million in the week to Wednesday last. This marks the end of the post-holiday reflux of notes, which reached £94.5 million through August and September, £13 million more than in 1954.

LONDON MONEY RATES

Bank rate (from 3½%, 24/2/55)	%	Discount rates	%
Bank bills: 60 days	4½	Bank bills: 60 days	4½
Deposit rates (max)		3 months	4¼
Banks	2½	4 months	4¼
Discount houses	2½	6 months	4¼
Money Day-to-day	2½-4½	Fine trade bills:	
Short periods	2½-3½	3 months	5-5½
Treas. bills 2 months	4½	4 months	5-5½
3 months	4½	6 months	5½-6

* Call money.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates		Market Rates : Spot						
	October 5	September 29	September 30	October 1	October 3	October 4	October 5		
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 \$	972.65-987.35	972.65-987.35	972.65-987.35	972.65-987.35	972.65-987.35	972.65-987.35	972.65-987.35		
French Fr.	12.15½-12.35½	12.19½-12.20	12.19½-12.20	12.19½-12.20	12.20½-12.20½	12.20½-12.20½	12.20½-12.20½		
Swiss Fr.	138.95-141.05	139.22½-139.22½	139.22½-139.22½	139.22½-139.22½	139.25-139.25	139.27½-139.27½	139.27½-139.27½		
Dutch Gld.	10.56-10.72	10.61½-10.61½	10.60½-10.61	10.60½-10.61	10.60½-10.61	10.60½-10.61	10.60½-10.61		
W. Ger. D-Mk.	11.67½-11.84½	11.71½-11.71½	11.71½-11.71½	11.71½-11.71½	11.72½-11.72½	11.72½-11.72½	11.72½-11.72½		
Portuguese Esc.	79.90-81.10	80.05-80.20	80.05-80.20	80.05-80.20	80.00-80.20	80.00-80.20	80.00-80.20		
Italian Lire	1736½-1762½	1744½-1745½	1744½-1745½	1744½-1745½	1744½-1745½	1744½-1745½	1744½-1745½		
Swedish Kr.	14.372-14.593	14.43-14.43	14.43-14.43	14.43-14.43	14.43-14.43	14.43-14.43	14.43-14.43		
Danish Kr.	19.194-19.481	19.33-19.33	19.33-19.33	19.33-19.33	19.33-19.33	19.33-19.33	19.33-19.33		
Norwegian Kr.	19.85-20.15	19.99½-19.99½	19.99½-20.00	19.99½-20.00	19.99½-20.00	19.99½-20.00	19.99½-20.00		
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 \$	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		
French Fr.	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis		
Swiss Fr.	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm		
Belgian Fr.	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		
Dutch Gld.	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm		
W. Ger. D-Mk.	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm	2½-1½ c. pm		
Italian Lire	3 pm-par	3 pm-par	3 pm-par	3 pm-par	3 pm-par	3 pm-par	3 pm-par		
Swedish Kr.	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par		
Danish Kr.	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par		
Norwegian Kr.	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par	10 pm-par		
Gold Price at Fixing									
Price (s. d. per fine oz.)	250/10½	250/11½	...	250/10½	250/10	250/10	250/10		

BANK OF ENGLAND RETURNS

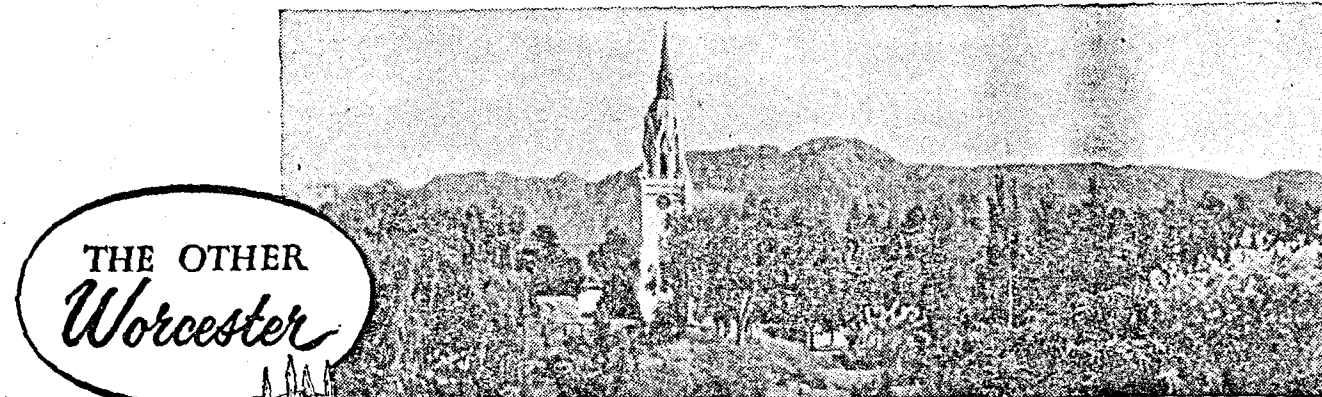
	1954		1955
	Oct. 6	Sept. 28	Oct. 5
Issue Department*			
Notes in circulation	1,639.4	1,766.4	1,769.5
Govt. debt and securities	35.9	33.9	30.9
Other securities	1,671.2	1,796.2	1,796.3
Gold coin and bullion	0.8	0.8	0.7
Coin other than gold coin	3.0	3.0	3.0
Banking Department:			
Deposits:			
Public accounts	21.1	14.5	14.6
Treasury special account	6.3	2.6	2.6
Bankers	276.0	239.3	250.7
Others	65.5	68.2	67.0
Total	368.9	324.6	334.9
Securities:			
Government	325.5	278.6	270.6
Discounts and advances	8.6	11.1	16.7
Other	14.3	17.2	16.5
Total	348.4	306.9	323.8
Banking department reserve	38.2	36.4	33.3
"Proportion"	10.3	11.1	9.8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced to £1,800 million from £1,825 million on September 7th, 1955.

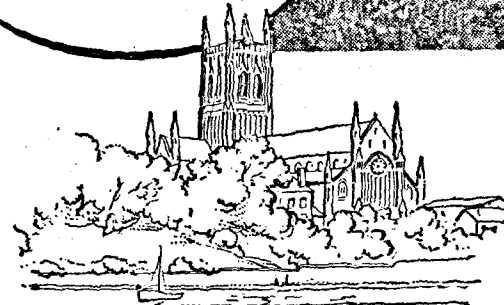
TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotment at Max. Rate %
	Offered	Applied For	Allotted		
1954 Oct. 1	280.0	397.7	280.0	32 0-23	74
1955 July 1	290.0	383.8	290.0	79 4-87	57
" 8	280.0	403.8	280.0	79 4-60	56
" 15	260.0	383.4	260.0	79 4-88	55
" 22	240.0	361.4	240.0	79 4-98	55
" 29	240.0	344.2	240.0	79 5-08	60
Aug. 5	240.0	350.8	240.0	80 0-42	56
" 12	240.0	350.4	240.0	80 1-13	59
" 19	270.0	380.1	270.0	80 1-28	62
" 26	280.0	388.4	280.0	80 1-10	61
Sept. 2	290.0	362.9	290.0	81 3-78	70
" 9	300.0	381.1	290.0	81 4-67	64
" 16	290.0	344.8	290.0	81 5-52	80
" 23	280.0	369.7	280.0	81 5-14	69
" 30	280.0	359.4	280.0	81 5-33	70

* On Sept. 30th tenders for 91 day bills at £98 19s. 8d. secured about 70 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £270 million.



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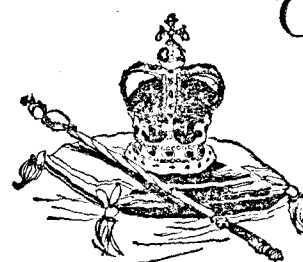
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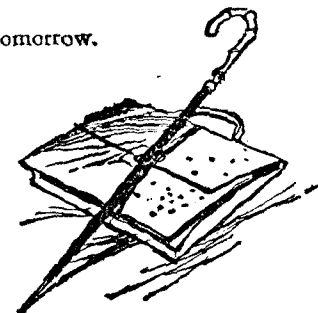


"O, King, live for ever!" the people cry. But under present imperfect arrangements even kings never quite manage to bring this off. The people's chances aren't too bright, either. Crown and sceptre, umbrella and briefcase, all have to be laid aside in time. The analogy is not exact. National revenues, after all, go on. Private revenues are apt to dwindle and stop... Unless the breadwinner pauses in his breadwinning to think: to think ahead to the day when, incredibly but inevitably, someone else will be going through the papers in his writing desk, his deed box, his office drawer marked "Private". To find what? With luck, a safeguard for the years to come. An assurance not only of capital today, but income tomorrow.

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CHIEF ADMINISTRATION: 188 FLEET STREET, LONDON, E.C.4



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COMPANY MEETINGS

MACONOCHIE FOODS

IMPROVED TRADING RESULTS

The eighth annual general meeting of Maconochie Foods Limited was held on September 30th in London, Mr R. S. Mays-Smith (the chairman) presiding.

The following is an extract from his circulated statement:

The most important factor resulting in the marked improvement in the trading results of the UK Company has been the substantial savings in costs by means of administrative reorganisation.

During the year under review the quality of the product "Pan Yan" was further improved and aided by an extensive advertising programme, resulting in an appreciable increase in sales of this product over the previous year.

A much improved Tomato Ketchup was marketed in December, 1954, and recently "Kep," has been manufactured to the original prewar formula.

I am pleased to report that sales of Canned Fish are also increasing.

Trade profits, less losses of the Group, plus dividends from trade investments, amounted to £96,087, compared with a loss in the previous year of £80,096. The net profit of the Group, before taxation, was £5,186, compared with a loss in the previous year of £190,008. After taxation (£2,126), the net profit of the Group is £3,060, after providing for a loss in the South African Company of £45,193.

Since March 1, 1955, as far as can be ascertained, the level of the Parent Company's profits has been maintained.

Negotiations for the sale of the South African Subsidiary are still proceeding.

The report was adopted.

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CRYSTALATE LIMITED

INCREASED PROFITS

The annual general meeting of Crystalate Limited was held on September 30th in London, Mr Jack Lesser (chairman and managing director) presiding.

The following is an extract from his circulated statement:

The consolidated accounts show a profit of £86,617 as compared with £55,393 for the previous year. The Board propose the payment of a dividend on the Ordinary Stock of 10 per cent, less tax, as compared with 7½ per cent for the previous year. The net liquid assets of the Group have increased from £318,020 to £343,064.

Crystalate Limited and Ebonestos Industries Limited: Last year I informed members that "provided business conditions continue as at present a reasonably optimistic view can be taken of the ultimate result of the current year's activities." The results and figures fully justify this optimism. As between the two companies the greater improvement of turnover and consequent profits was achieved by the Crystalate Company. The better trading conditions that we experienced in the year to March 31, 1955, are continuing and show an even further advance in turnover according to the internal figures available at the time of this statement. The orders in hand position is gratifying.

Mica Products Limited: This company also experienced a year of improved profit, and the Injection Moulding section of this undertaking continues to be very busy.

Conclusion: Providing business conditions continue as at present, there is justification to anticipate at the least a maintenance of the results. The report was adopted.

MALAY UNITED RUBBER ESTATES LIMITED

The twenty-ninth annual general meeting will be held on October 10th in London.

The following is an extract from the circulated statement of the Chairman, Mr J. W. A. Calver:

When I addressed you last year we had sold Malin Nawar estate. As a result of this sale we were able to repay 6d. per share to stockholders and our operational costs have fallen. This, combined with the increased price of rubber, has resulted in a profit of £10,838 before taxation and has enabled us to pay a dividend of 2½d. per share, equivalent to practically 10½ per cent.

The high prices which rubber is now being bought at in world markets will not mean that our profits will rise to anything like an equivalent extent. Not only are wages rising substantially but also, in addition to the swingeing taxation to which we are nowadays subjected as a matter of course, there are in Malaya cesses, a graduated export duty, and also a graduated anti-inflation levy when the price of rubber rises above one dollar in Singapore. The Economist has, quite rightly, advised that the optimum price of rubber from the point of view of net profits to plantation companies in Malaya is approximately 3s. per lb.

We have approximately 200 acres of old seedling rubber which we hope to replant before long, if possible out of profits. The areas to be replanted will be subjected to intensive tapping and in this way, together with, we hope, steadily increasing yields from our already replanted areas, the crop should be maintained and increased.

BRITISH HOMOPHONE

The Annual General Meeting of the British Homophone Company Limited was held on September 30th in London.

Mr Jack Lesser (Chairman and Managing Director), in the course of his speech, said:

The profit for the Group for the year is £28,819 compared with £23,570. The taxation charge is £15,548 leaving a profit of £13,271 as compared with £10,218.

The profit of the Parent Company, the British Homophone Company Limited, is £12,887 as compared with £14,828. After taxation the result is £5,102 as compared with £5,260. Ebonestos Industries Limited have paid a dividend to the Parent Company in respect of the year to March 31, 1955, which after deduction of Income Tax amounts to £5,189.

The Subsidiary Companies show an increase in profits. Before taxation the figure is £15,932 as against £8,742, and after taxation £8,169 compared with £4,958.

The Consolidated Balance Sheet continues to show a strong and healthy position, the Revenue Reserves and Surplus amount to £121,594. The Current Assets exceed Current Liabilities by £136,473.

The profits of the British Homophone Company Limited were adversely affected by increased costs of labour and raw materials. There was also a drop in turnover. The decreased turnover was the result of labour shortage. At the present moment the demand for your Company's products is quite satisfactory.

With regard to Ebonestos Industries Limited, the better trading conditions show an even further advance in turnover. The orders in hand position is satisfactory. The report was adopted.

BRADWALL (FMS) RUBBER ESTATE, LIMITED

OUTLOOK IN MALAYA

MR T. B. BARLOW'S STATEMENT TO SHAREHOLDERS

The Annual General Meeting of the Bradwall (FMS) Rubber Estate, Limited was held on October 3rd in London.

Mr T. B. Barlow, the chairman, said: One result of our recent amalgamation has been the erroneous comparison of the interim dividend of 7½ per cent which will be paid on November 30th next with the interim of 10 per cent in lieu of final paid on December 17, 1954.

DIVIDEND PAYMENT WELL COVERED

This year's payment is well covered by results to date and the Board decided that an interim dividend before Christmas would be well received not only for itself but for the implied hope of something better to come.

The recent Malayan elections and the political future of Malaya have been the subject of much discussion, but I think we can look forward with confidence to the future. The standard of living in Malaya is much higher than that of its neighbours because of the co-operation, goodwill and understanding which have existed throughout the century between the Malays, Chinese, Indians and Europeans.

The newly elected Government can count on the loyal support of the plantation industry.

The report and accounts were adopted.

THE UNIVERSITY OF HULL

RESEARCH STUDENTSHIP

The University proposes to award a Post-Graduate Studentship in the Faculty of Arts for full-time research in Arts, Economics or Law. The value of the award is at present fixed at £250 for one academic year, renewable for a second year. Further particulars may be obtained from the Registrar, to whom applications should be sent not later than October 22, 1955.

W. D. CRAIG, Registrar.

MIDDLESEX COUNTY COUNCIL

EDUCATION COMMITTEE
ACTON TECHNICAL COLLEGE

Applications are invited for the post of LECTURER in SOCIAL SCIENCE in the Department of Management and Production Engineering to supervise and teach graduate and other classes and to investigate and advise upon the relationship of industrial structure to technical training. Qualifications should include a degree in social or natural science and some experience of industry or social research. Salary in accordance with the Burnham (Technical) Report, 1954.

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Secretary to the Education Committee.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD: ASSISTANT AGRICULTURAL ECONOMISTS. The Civil Service Commissioners invite applications for a pensionable post in London. Age at least 21 and under 28 on October 1, 1955, with extension for regular Forces service. Candidates must have a first or second class honours degree in agriculture, economics, or related subject. If no honours course, a pass degree with equivalent standard will be considered. Inclusive London salary (for 45½-hour week) £554 to £999 (women to £901), but being improved under equal pay scheme. Starting pay above minimum in certain cases.

Particulars and application forms from Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 4507/55. Application forms to be returned by October 27, 1955.

WORKS DIRECTOR

ENFIELD CABLES LIMITED are seeking a WORKS DIRECTOR, with seat on Board, to take charge of the Company's factories. Must be a professional engineer with experience in modern production techniques. Preference will be given to a man who has been engaged in the cable industry. This is a top-level position and will carry a commensurate salary. Write, giving full details, to: E. Sunderland, Director and General Manager, Enfield Cables Limited, Brimsdown, Enfield, Middlesex.

STATISTICS

A leading Group of Companies, engaged principally in the distribution of motor vehicles, will shortly require the services of a Statistics Officer at its Head Office in the Midlands. The successful applicant should hold some professional accountancy qualifications and should preferably have had some association with the Motor Industry as his duties will include the extraction of statistical information from the depots of the Group and its collation and presentation to the General Management.—Apply to Box 24.

FAMILY SERVICE UNITS (Patron HM the Queen Mother) requires full-time National Appeals Organizer to raise funds for expanding an established and very important pioneer social work. Not less than £750 p.a. paid to energetic man or woman able to produce results with minimum of supervision.—Applications, in writing, giving full details, to Secretary, 25 St. Mary's Grove, London, N.1.

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A good four-figure commencing salary is offered to Chartered Accountants wishing to improve their knowledge and experience of Financial Control, Profit Planning and Costing. The advertiser is an Industrial Company of repute and the fullest scope will be allowed for initiative in the introduction of modern methods of Management Accounting. Men of the required standard are expected to qualify for a salary of £3,000 per annum within seven or eight years and the appointment is pensionable.—Applications will be considered from Accountants, over 35 years of age, and they should be sent in confidence to Box 239.

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MOTOR MANUFACTURING GROUP in Coventry offer a position of unique interest and scope to young man, aged 20-25 years, with fluent knowledge of German and French.—Write to Box T.326, 6/0 Streets, 110 Old Broad Street, London, E.C.2.

NATIONAL COAL BOARD invite applications for the superannuable appointment of Assistant Manager of General Branch in Marketing Department at London Headquarters. Salary dependent on qualifications and experience, within the range £1,000 to £2,500 per annum. Applicants must be of first-class administrative and commercial ability, of good personality and address, and have knowledge and experience of the coal industry and of coal marketing and prices. Write, giving full particulars (in chronological order) of age, education, qualifications and experience (with names of employers and addresses) to: (Overseas) Hobart House, Grosvenor Place, London, S.W.1, marking envelope SS175. Original testimonials should not be forwarded. Closing date October 27, 1955.

THE Rank Organisation Limited wishes to fill the appointment of Group Accountant. This position carries direct responsibility to the Managing Director for the co-ordination of the Group's intricate accounting affairs, both from the technical and commercial viewpoints. Only men of proved record, preferably with commercial experience, in the age group 35-45, and who are already earning four-figure salaries, should apply to R. H. Dewes, Esq., Director of Personnel, The Rank Organisation, Film House, 147 Wardour Street, London, W.1.

PHYSICAL CHEMIST, age 21-30, with a good Honours Degree, required by large company in the West of England to take charge of chemical laboratory and undertake industrial research. Excellent working conditions and contributory pension scheme. Commencing salary, according to qualifications, up to £300 per annum.—Full particulars of qualifications and experience, if any, in own handwriting, to Box 236.

NATIONAL TRADE ASSOCIATION, with headquarters in Sheffield, invites applications for a Senior Executive post. Duties will comprise the management of certain functional departments already staffed, and the development of new areas of the Association's activities, and will involve high level contact with industry and with Government Departments. Starting salary £1,000-£1,200 per annum, but more will be paid if experience and qualifications are exceptional. The post is superannuable.—Applications to Box 211.

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THE COPPERBELT TECHNICAL FOUNDATION LIMITED, KITWE, NORTHERN RHODESIA

APPOINTMENT OF PRINCIPAL

Applications are invited for the appointment of Principal of a Scheme of Education for the benefit of young Europeans entering industry in the four main centres of the Copper Mining Industry of Northern Rhodesia. The purpose of the Foundation is to bring into existence and subsequently operate, administer and develop, a series of Technical Institutes in leading towns on the Copperbelt of Northern Rhodesia. There will be four centres in the first instance, the Headquarters Institute being at Kitwe, while the others will be at Muldersburg, Gwelo and Lusitania. The distance between Kitwe and the centre furthest from it is 35 miles.

The Foundation, while a self-governing organisation, is fundamentally associated with the Copper Mining Industry of Northern Rhodesia and must be thought of in connection with that industry, although employees of the Foundation will not be employees of the Mining Companies and the benefits of the Scheme will not be confined to employees or prospective employees of the Companies. Adequate funds are available for initial creative work and the subsequent maintenance and development of the activities of the Foundation. The work of the Institutes will consist of post-school education mainly of young people of near adult stage, as follows:—
1. The education of artisan apprentices towards National Certificate examinations on a part-time basis, and the post-school education of Junior learner operators having had varying degrees of initial education.
2. Other technical education of young people related to mining or engineering.
3. The education and training of girls in commercial and other subjects.
4. The provision of tutorial facilities with a cultural background for students of all ages wishing to take approved correspondence courses.
The person appointed must be capable of creating the Scheme from first principles under the direction of a Council of Governors. He must be a member, and subject to the control of a Board of Governors. He must subsequently correlate, administer and develop the work of four technical Institutes.
Terms: £3,500 per annum, rising in five years to £4,000 per annum. A house and basic maintenance will be provided at sub-economic rent. Pension fund and other benefits.

An application form, together with further particulars of the Scheme, will be forwarded on receipt of a request addressed by Air Mail to:—
The Secretaries,
Copperbelt Technical Foundation Ltd.,
P.O. Box 134,
Kitwe, Northern Rhodesia.

APPLICATIONS are invited from Chartered Accountants, aged about 28 to 30 years, for a progressive appointment with an Industrial Company of standing. The position is one of considerable responsibility for the management of up-to-date management accounting. The prospects are excellent for men with personality and energy. A good commencing salary is offered and regular increases to over £3,000 per annum are assured. The successful applicant.—Full particulars of qualifications, experience, age, etc., should be sent in confidence to Box 241.

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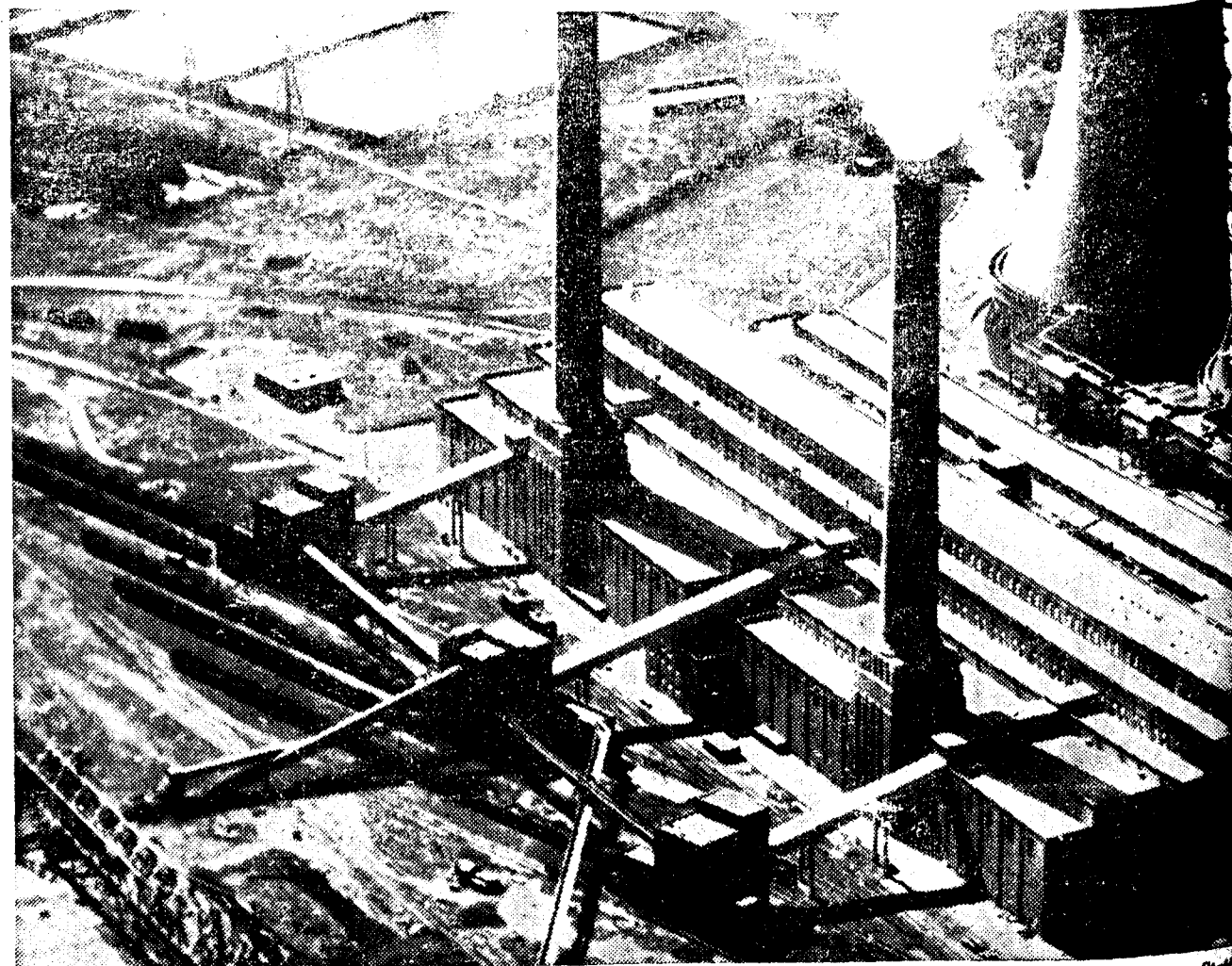
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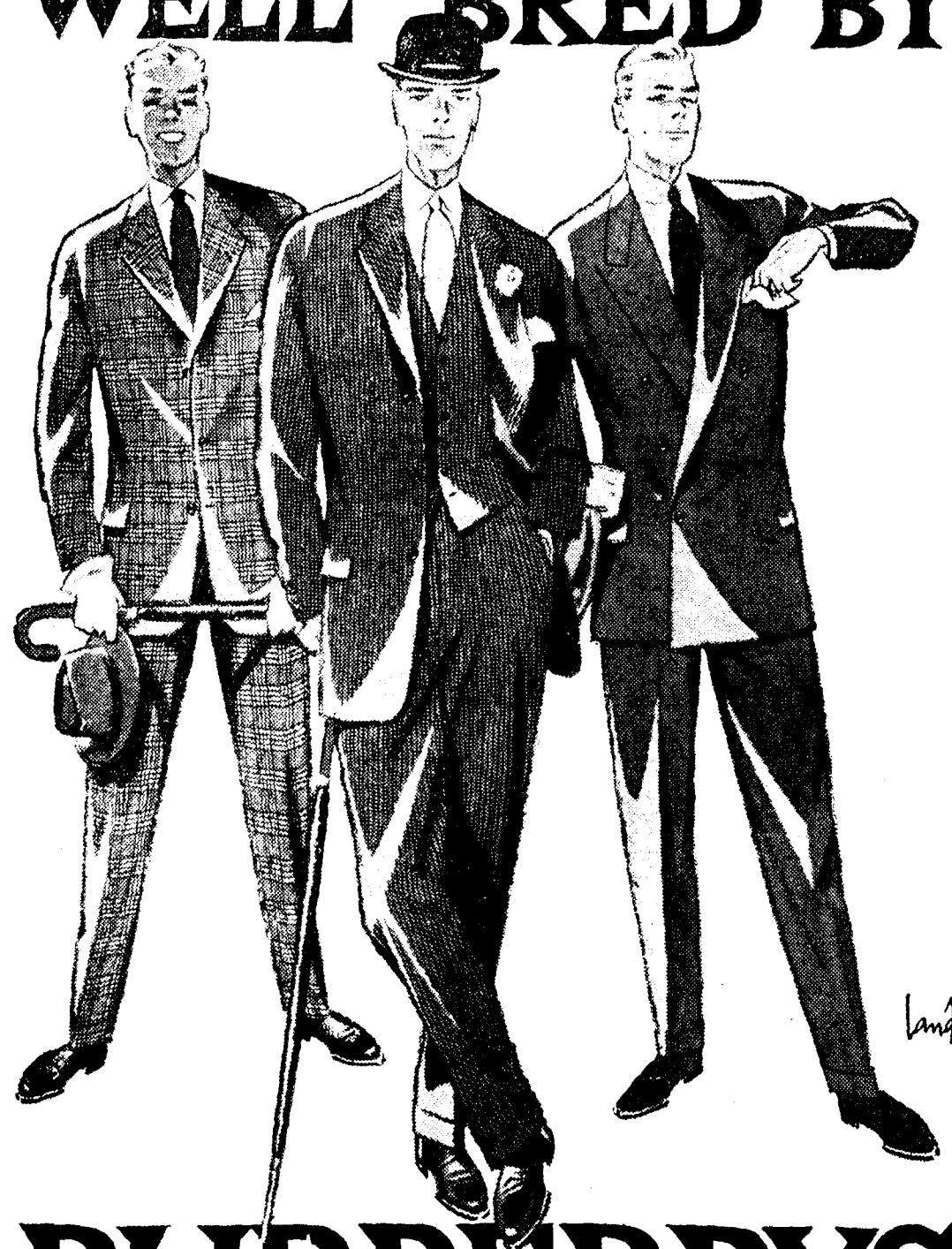
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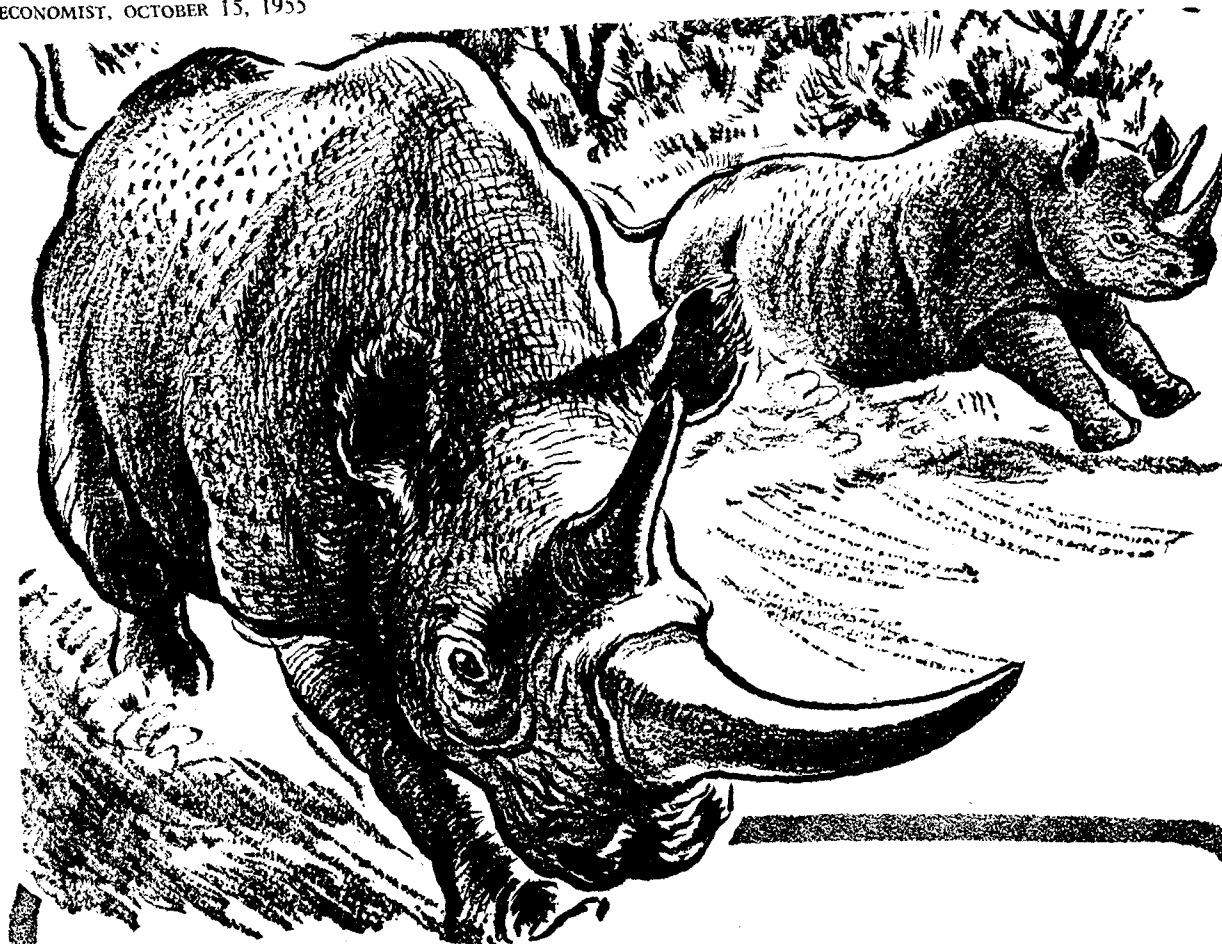
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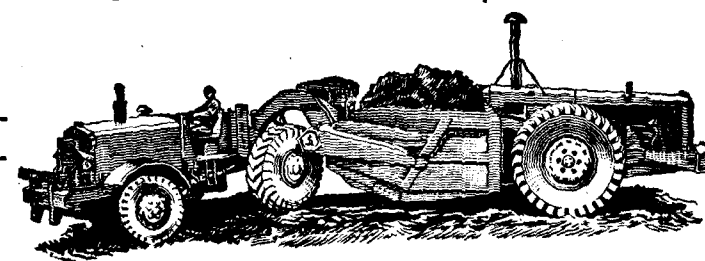
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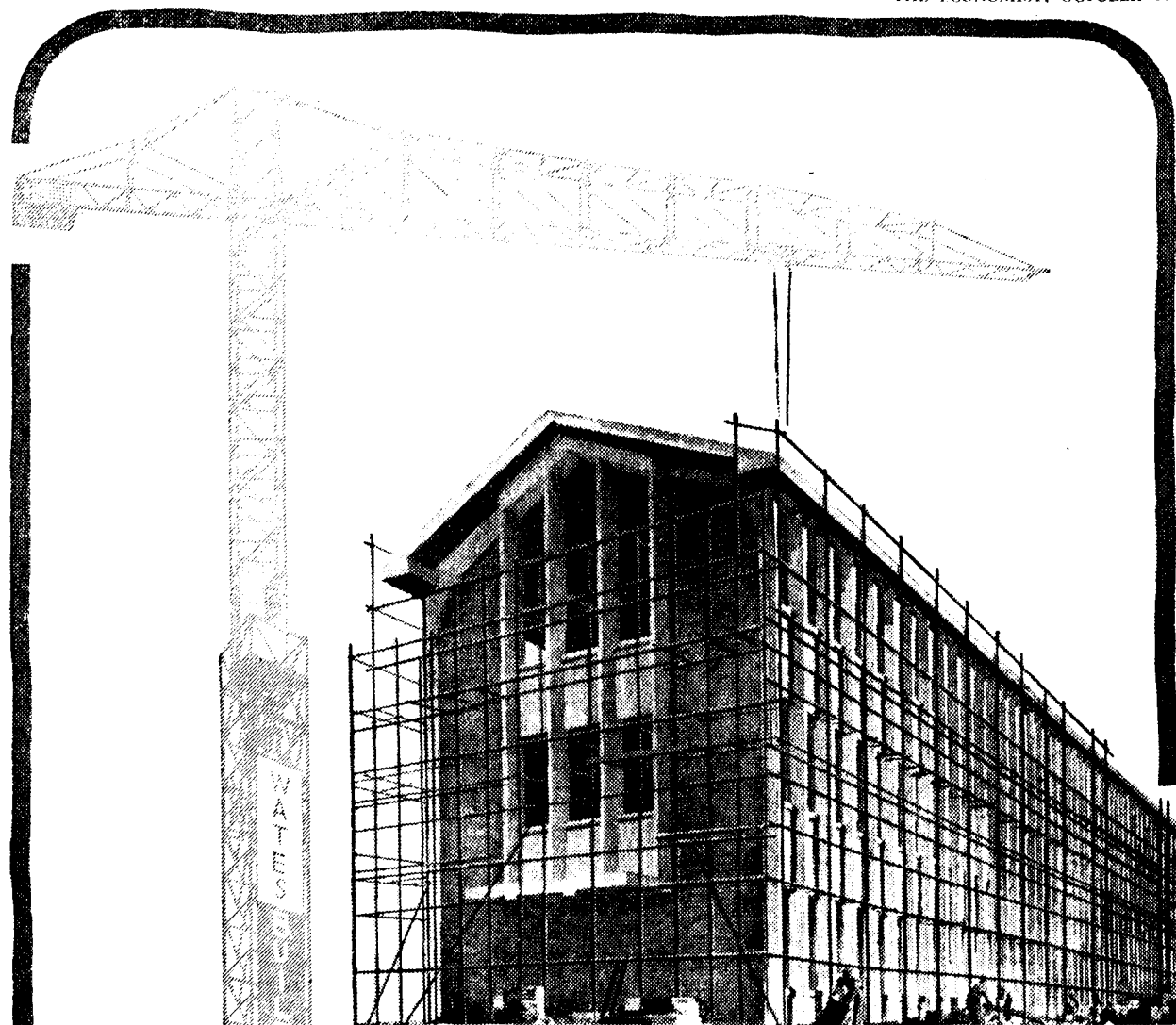
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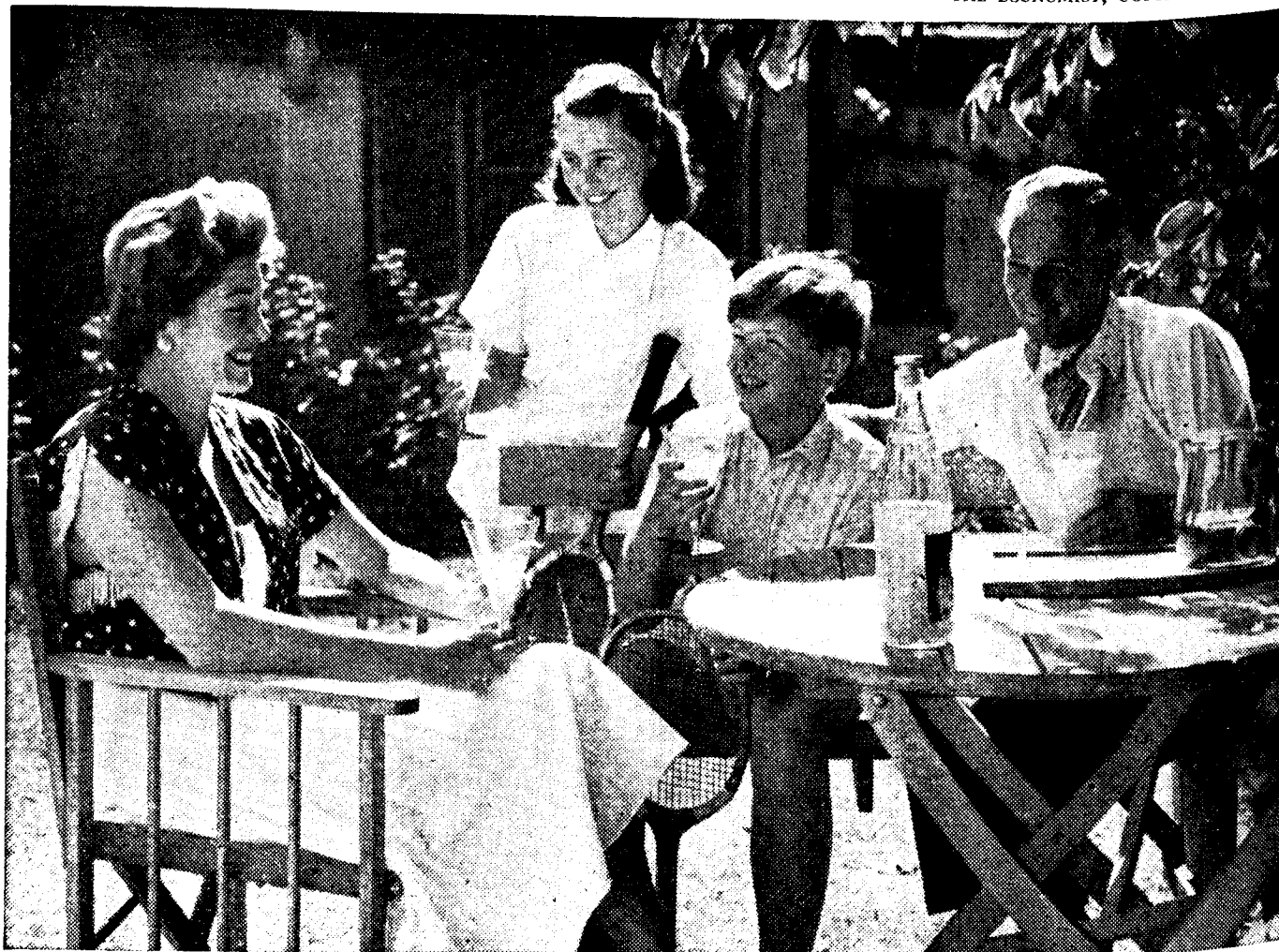
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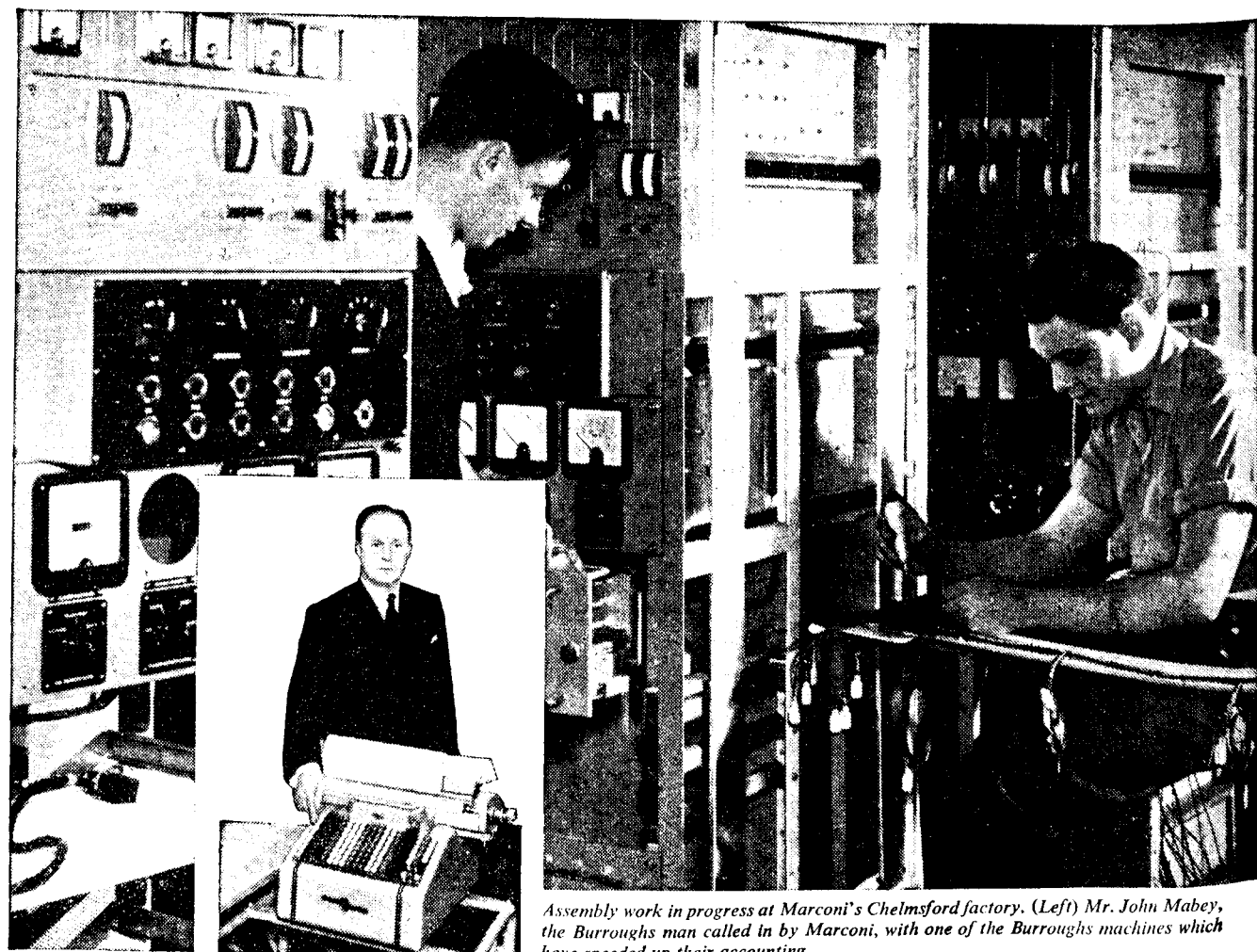
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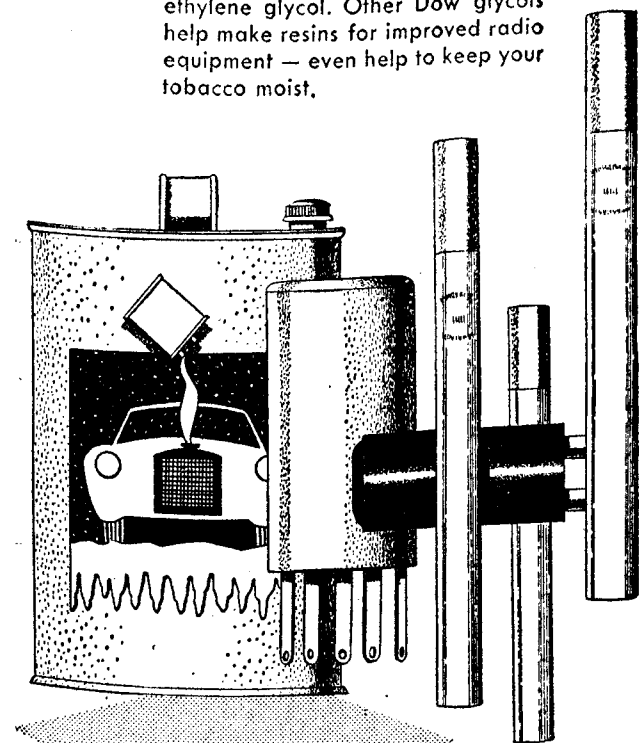
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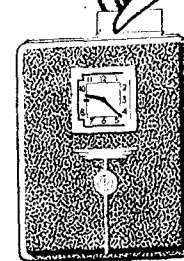


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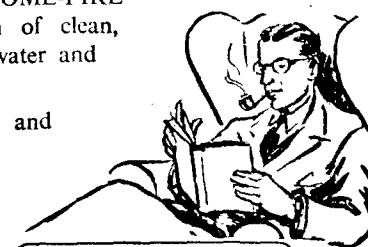
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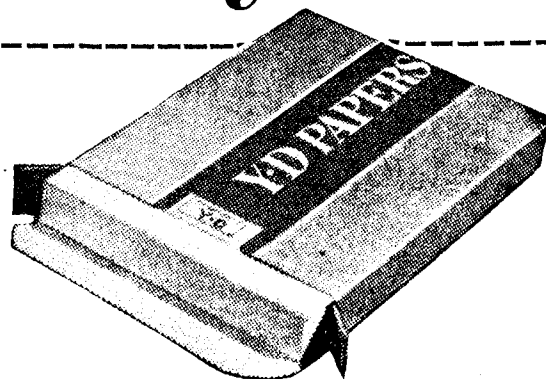
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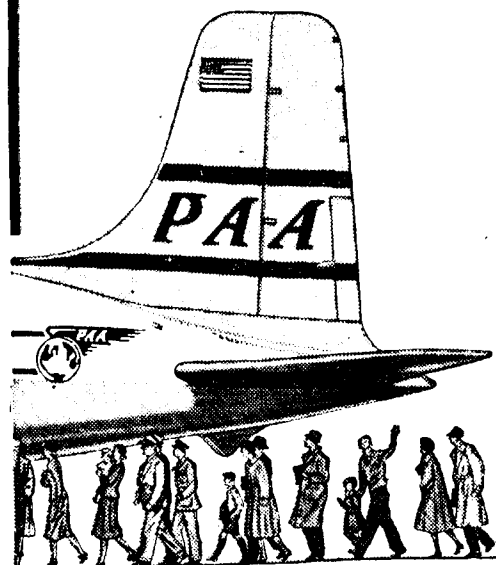
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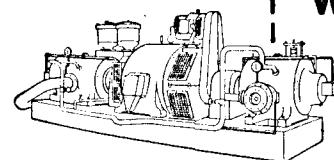
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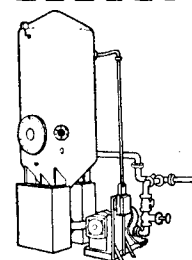
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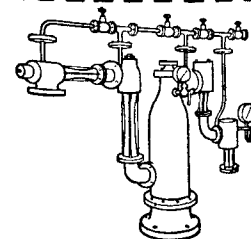
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OCTOBER 15, 1955

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Peace or Politics?

WITH a four-power conference again in the offing, it may seem invidious to nigger over the niceties of a foreign minister's statements—although in Moscow it is apparently held to be a good thing to attack, even to humiliate, a foreign minister just as he is gathering his brief together. Yet it must be said that it was disquieting to hear Mr Macmillan quoting again at Bournemouth the phrase he had used on his return from the "summit" in July—"there ain't gonna be no war." The natural reaction of many people will be to ask why in that case Lord Montgomery should now be making public his views on preparedness for a new-style war, and why defence ministers of the Atlantic alliance should have gathered in Paris this week to review the stark implications of such a conflict.

Admittedly the Foreign Secretary was defending himself against critics of the remark he made in July, and insisting that he had added a warning corollary. Admittedly both he and the Prime Minister were careful at Bournemouth to caution their hearers against false optimism and to review at length the reasons for continued vigilance. Read as a whole, their speeches were well balanced between hope and fear. But how many people read speeches as a whole? The automatic workings of the popular press may always be counted on to bring out, in banner-headline prominence, either a catchy phrase or a dramatic announcement. At Bournemouth Sir Anthony Eden provided the announcement with his news that Britain's armed manpower was to be reduced; Mr Macmillan unhappily revived a phrase which, when he first used it, made bold black headlines, and which was bound to attract attention when used again—particularly at a moment when a new move in regard to national service was already expected.

Today the coming of the hydrogen bomb has added a new reality to the ancient maxim, *si vis pacem, para bellum*. Nations that want only to live in peace are now able to warn a potential aggressor not merely that he will find it hard to overcome them, but that he simply cannot hope to launch an attack without himself suffering devastation that can hardly be imagined. But the vital condition of this new security is preparedness. In free societies, military preparedness can never be popular, or even accepted with resignation. Twice in this century the western world has suffered grievous and nearly fatal injury because it was neither equipped nor braced to defend itself. It is the first task of statesmanship in democratic countries to counter the inherent tendency of any peacefully inclined people to relax without restraint at the first hint of diminished danger. Indeed, this is a test by which a statesman may fairly be distinguished from a politician. But an experienced politician, for his part, should know just which of his words will echo most loudly in the public's ear; and, however partisan the occasion on which he is speaking, he will rise to statesmanship only if he eschews political temptation and chooses words that reinforce rather than weaken the prospects of peace.

Bournemouth and Margate

BY A SPECIAL CORRESPONDENT

THE main conclusion to be drawn from this year's party conferences is a rather surprising one. If the conferences had been televised *in toto*—as the BBC had originally suggested—the result would probably have been a small swing of opinion to Labour's side. Although the Conservative leaders showed once again that they are in complete control of policy, the Conservative rank and file made a less favourable impression on many of the attending journalists this year than at any previous postwar Tory conference; in consequence, one left Bournemouth feeling slightly crosser with the Conservatives than before. On the other side, although the Labour leaders are still fumbling with both their policy and their party followers, those followers no longer looked impossibly difficult to control; in consequence, one left Margate feeling slightly more hopeful about Labour's future than usual.

The vague sense of discomfort aroused by this year's Conservative conference was not primarily due to the voting or the speechmaking during it. The rude things said about some Ministers in some of the speeches (about which Mr Butler, for one, seems to have been surprisingly touchy) can be largely discounted, for they plainly owed more to individual opportunism than to any widespread *malaise*. In some cases the wide advertisement of last year's glutinosity had given certain regional interests the idea that a little pressure-politics would attract a great deal of attention; in other cases (as there was time for only four or five speeches on many of the resolutions) thrustful delegates had realised that they were more likely to be called to the rostrum if they said they were going to oppose instead of to support.

But the general atmosphere, the talk in the tea-bars and the timing of applause from the floor were more disturbing than the speechmaking. One got so terribly tired of the complaint that some of these horse-faced women could not afford to buy television sets, while their charladies (perhaps precisely because they are going out to work as charladies?) could and did. The Young Conservative movement, in particular, seems to be in a rather dangerous state of transition. Its members are no longer merely reacting intellectually against the reaction from the 1930s; they are reacting directly and emotionally against the economic injustices imposed upon their own class (broadly speaking, the clerkly class and higher) in the late 1940s. And they are tending to make the same mistake as some Socialists in supposing that the way to ensure economic advance for oneself is to get cross about the economic advances made by other people; there is a tinge of fanaticism in their attitude that will need to be watched.

While the Conservatives need to pay close attention to this possible development of a new and class-conscious right wing, Labour should also study, and

learn from, the superbly smooth way in which the Tory leaders are still keeping any such politically expensive tendencies under control. For it is just not true, as some Labour journalists at Bournemouth were alleging, that this tinge of Tory resentment is in any immediate danger of taking over from Tory reform as a determinant of party policy. The Conservatives' control of their own tail is not simply due to the fact that the Woolton organisation allows MPs and professional agents in the constituencies to sit down upon it, although this professional organisation is an important factor. It is also due to the fact that those who are genuinely interested in Tory reform are finding new and exciting intellectual fields to conquer.

It was extraordinary how many of the thirty to fifty-year-old delegates at the Bournemouth conference—and these are now, broadly speaking, the most progressive age groups in the Conservative party—were either local councillors or members of Conservative professional or social workers' organisations. One result of this was that the debates on such things as local government reform, education, the Children Act, and "ten shilling widows" were just about the best debates at the conference; this is a marked change from the situation of a few years ago, and Labour should take note of it. Another result is that those of the younger reactionaries who stay in politics can presumably be expected to become involved in this sort of work in time, and be reformed by contact with the progressive Conservative thought that is being bred in connection with it. The final conclusion to be drawn from Bournemouth was not that the new Conservatism is in decay: it was simply that the party leaders should not assume that there will be anything automatic about its continued progress. And so to Margate.

It is a good thing for the balance of power in British politics that the initial impact of a Labour Conference is still rather pleasanter than that of a Tory one. It was a lesson in tolerance to watch these rank-and-file Labour workers, as they came down to Margate for a sacrificially late annual holiday, dumping their unwilling wives and children into second-class boarding houses set well back from the front. They are, of course, often of the excitable type that one would expect from their left-wing reputation. But they are of a type which those with experience of them usually know how to control. "Don't be silly, Bert," said one solid and sensible woman, as her husband threshed about among the children's spades and buckets at Margate station on Sunday night, in some unnecessary commotion about the corporation's bus arrangements. Without realising it, she was giving a lesson in amiable

family management to her party's leaders, which those leaders are just beginning to imbibe.

For the historic achievement of the Labour leaders at Margate was that they managed to inculcate this atmosphere of "Don't be silly, Bert," on to the conference hall, instead of suggesting that it would be necessary to send Mr Arthur Deakin down to the floor with a knobkerrie. The right attitude was struck in the very first hour. "If you come to the ante-room afterwards," said Dr Summerskill, smiling sweetly at a delegate who was making a great fuss about some uncomradely point of order, "I am sure that you will be suitably dealt with." There was a split second of hush, and then Labour reached a possibly important stage in its postwar maturity as both the delegate and the floor started laughing. This was the atmosphere that ruled at the conference—at any rate until Mr Bevan set a maliciously deliberate spark of mischief alight at a private meeting on Tuesday. Throughout the conference the basic right-wing vote overpowered the basic left-wing vote by between three and four to one. Sometimes (as in Mr Gaitskell's victory over Mr Bevan for the Treasurership) the right-wing majority was slightly higher; sometimes (as in the vote on Mr Zilliacus's essay in cleverly controlled anti-Americanism) it was a little lower. But the new feature of this year's conference was that the left wing took its drubbing with plaintive good humour instead of with bared teeth.

The conference has therefore provided as good a springboard for advance to Labour reform as the responsible Labour leaders could hope for. The question now is whether the leaders are themselves calm enough people to use it intelligently. The three decisive factors will probably be the courses of organisational reform, of policy planning, and of the polite personal struggle for Mr Attlee's succession. As far as organisational reform is concerned, the task of implementing or amending the Wilson recommendations has now been passed back to the national executive; this is a happy result, even although it has been achieved largely because Mr Bevan set the Margate debate on the Wilson report chasing after a hare that had nothing to do with organisation at all. But the other two factors—policy planning and party leadership—are inextricably and rather awkwardly mixed up.

The business of policy planning is now nominally to be delegated to individual members of Labour's Research Department, who will draw up reports under ten different headings in the next three years; these reports will be supervised by editorial committees drawn from the national executive, possibly with the aid of "amateur" Labour sympathisers in the universities and elsewhere. There are two main forms that these reports could take. Either the ten reports could become ten embarrassing commandments, incorporating specific and "politically necessary" commitments to the left—and seriously impairing the policy of the next Labour

Government thereby. Or else they could be useful but unspecific essays on reform; they could fill the same role as Mr Butler's Industrial Charter, which everybody still admires today although nobody remembers exactly what it contained. The nature of the reports will not depend primarily on whether it is Mr Morrison or Mr Gaitskell who is the party leader during the period in which they are drawn up. But it may depend on how secure and unembarrassed that new leader feels in his office (and, if Mr Morrison gets the job for a short period, on how secure Mr Gaitskell feels about the succession). A clear case seems to be emerging for some working arrangement between the two men.

Certainly the lesson of Margate is that it will be a tragedy if the right wing now indulges in the luxury of a split of personalities, upon which the vanquished men of the left could and would play. "These are a decent bunch, aren't they?" said one moderately important Labour leader as he looked round the crowd at the delegates' ball on Tuesday night (perhaps aptly, it was held in the Winter Gardens, while the Labour agents held their cabaret in Dreamland). "It is so maddening that the party that ought to be made out of them is ruined by the Commies and the self-seekers." The time may be at hand when this message deserves to be directed to the two main leaders of the right, instead of merely to the ex-leader of the left.

The Economist Guide to Weights & Measures

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Europe Brick by Brick

UNTIL the announcement in Paris on Thursday of the formation at M. Jean Monnet's suggestion of the Action Committee for a United States of Europe, little had been heard of the "Messina" resolution since the foreign ministers of the Six resolved last June that the time had come to take another step towards the "building of Europe." Undramatic hard work has in the interval wisely been taking the place of ringing declarations, which ever since the collapse of the EDC have had a hollow sound. A spell of re-examination was certainly needed. But there is a danger that while the experts remain busy but quiet, ministers will avoid thinking about the questions they will soon have to decide, and that when decisions are needed the temptation will be strong to temporise or to give the easy answer. And, because of the special nature of the British participation in the work carried on since Messina, this will be particularly tempting for British ministers.

At Messina, the foreign ministers of the six members of the Coal-Steel Community (France, Germany, Italy and the three Benelux partners) agreed that their aim was the establishment of a common European market, free from all customs duties and quantitative restrictions, not only for iron and steel, but for goods in general. They also agreed to examine the creation of "a common organisation which would have the responsibility and the facilities for ensuring the peaceful development of nuclear energy." The further co-ordination of transport and conventional energy and the harmonising of social policies were also held to be desirable, although with a less clear commitment in principle to take action.

After Messina, M. Spaak was appointed to supervise the work of a series of technical committees set up to examine the practical steps required by these general decisions. Once these studies were completed, the ministers would convene conferences to draft specific treaties covering any subjects on which they decided to move ahead. The British government agreed to participate in the work of the committees on the clear understanding that this in no way committed it to the agreements in principle which the Six had reached at Messina.

The work of the "Spaak committees" should be finished this month, and their reports ready for ministers in November. They have taken somewhat longer than originally planned over their work. But the foreign ministers, when they met at Noordwijk early in September to review progress, seemed in no hurry to reach the stage when they would need to reach new decisions. To the extent that this leisurely attitude reflects a judgment by those who are setting the pace that speed and dramatic impact are less important than surefootedness, it is all to the good. No one seriously expects France to be in a position to take the kind of

decisions for which the Benelux countries, in particular, are pressing, before the French elections next summer. On all sides there is a reluctance to risk running into another EDC debacle through inadequate preparation, impatience or over-reaching.

Of the six or seven technical committees now meeting in Brussels, the two most important are those concerned with a general common market and with atomic energy. The first confronts a well-ploughed field, the second virgin forest; but it is an open question whether it is more encouraging to have too many precedents or too few.

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Since the earliest days of the Marshall Plan, the question of a European common market has cropped up persistently and in various guises. First there was the customs union phase, led off by Benelux, followed with less success by the Scandinavians and with no success at all by the French and Italians, and finally petering out with the abortive concoction known variously as Fritalux and Finebel. Then came the "pools," the Schuman pool, the arms pool, the green pool, which aimed at common markets limited to particular sectors of the economy. And the OEEC, on a broader basis of membership, has struggled for eight long years to eliminate quantitative restrictions on trade among its members. This wealth of experimentation has made it easier for the Brussels committee to avoid false starts and to reach general, or almost general, agreement on what may work and what certainly will not.

One result is the present disposition to reject the "sector" or "vertical" approach and to concentrate instead upon the "horizontal" approach; that is, to remove, by stages, quantitative restrictions and other impediments to trade "across the board," rather than proceeding, as was done in the Coal-Steel Community, to integrate the market industry by industry. The experience of the ECSC has highlighted the difficulties of removing barriers and eliminating distortions based on national practices for one or two segments of six highly developed economies, while leaving the other segments untouched. Coal cannot be sensibly considered independently of gas or electricity, and the logic of "harmonising" international freight rates for coal and steel, but leaving all other rates untouched, is easy to question. Furthermore, proceeding to the creation of a general common market sector by sector means fighting the same battles each time a new sector is to be integrated, and fighting these battles without the help that arises from the fact that the producer of one commodity is the consumer of others.

There is another lesson that has been learned, although perhaps with little conviction by the French. It is that, to reap the benefits of a common market, the

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right procedure is not to list all the industries which may suffer from increased competition and give them special protection or assistance before tariffs and quantitative restrictions are touched, but to start from the opposite end—to provide funds to readapt industries and to re-train workers if particular plants or industries, in the event, cannot meet the new competition.

A third lesson already learned is that agriculture, the biggest stumbling block in the OEEC trade liberalisation programme, will have to be treated as a stumbling block, not simply as another industry, if any agreement is to be reached. And the planners are now also aware of the relationship between trade and monetary policy and of the impossibility of going very far until exchange rates are in line and show some prospect of staying there.

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The committee on atomic energy starts with less experience, but with two big advantages. In the first place, vested interests are not yet dug in; in the second, this is clearly a game best played by giants. The committee's problem is not primarily whether it is sensible to establish a common market—although if the plans to establish the general common market (or Common Market, with initial capitals, as it is called, to distinguish it from common markets limited to particular industries) come to nothing, there will undoubtedly be pressure to go ahead with a limited common market for energy, both "classical" and atomic. Rather, the problem is how best to assure to Western Europe the advantages of co-operative effort and large-scale, expensive undertakings. The approach adopted has been the pragmatic one of listing all the things, from mining uranium ore to experimental research, that are part of this new industry, and then examining them to see which are better done on a combined than on a national basis.

Except for loading the dice in favour of a new European organisation for atomic energy, the Messina communiqué pointedly left open the question whether there should be new institutions and, if so, whether they should be supra-national (like the ECSC) or inter-governmental (like the OEEC), for the simple reason that the ministers were not agreed. The Brussels committees have therefore concentrated on technical and economic problems, and institutional and political questions will, in the main, be left for the ministers to tackle again. Although this has given a slight air of unreality to some of the discussions, it was the only way to cut through the jungle of dogmatic passion which grew up after the collapse of EDC.

The contest is not simply a jurisdictional one between two existing organisations and the advocates of some new ones, but a solid difference of opinion about the best route to take, which, in turn, arises from a difference of view about the objective. Some people, for whom M. Monnet is the recognised spokesman, feel that on political and economic grounds there is no

future for Western Europe without a merger of sovereignty and the creation of a United States of Europe. The Action Committee launched this week is an impressive group of party leaders and trade unionists from the six countries, who not only hold this view but are committed to trying to convert the groups they represent. Others, however, feel that this medicine is too strong; that the advantages of combined effort and of a broad area of comparatively free trade can be obtained without federation; and that Nato and Western European Union provide all the necessary political cement. This second group is not a cohesive one, and opinions within it favour various formulae, ranging from the loosest form of co-ordination to arrangements which could still evolve into the kind of European structure for which M. Monnet argues.

The British government's position on both the substantive and the institutional questions is still unknown. There is not the slightest illusion on the Continent that Britain would join a "supra-national" institution. But what is not known is how far the British government would go either in association with institutions of the Monnet type, or in participation in looser arrangements. There is uneasiness lest the British government should wait until after the European countries have decided on their course of action before seriously considering its own position. There is fear that if so French indecision will be the determining factor, but there is also hope that the British will not leave these questions for time to dissolve.

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Like the Brussels Committees, the British government would be well advised to start with economic questions, rather than with the emotional, but in reality less difficult, subject of institutions. The traditional arguments against British participation in a European common market have been the existence of Commonwealth preferences and the uncertainties of competition, particularly German competition. These are arguments which should be dusted off and looked at once again before being reaffirmed. The Treasury Bulletin for September contained some forthright truths about the relative importance of trade with the Commonwealth and trade with Western Europe. Even on the most optimistic estimate, the time when any European common market would have reduced tariffs to a level that would endanger imperial preference is probably some ten years off. Is it clear that by then Commonwealth preferences will be important to either side? German competition has to be met in third markets; is this really an argument for not learning to meet it at home?

In the case of atomic energy, British reluctance to join with Europe has not yet had time to harden. Here again the task is essentially to set a long-term calculation against a short-term one. And the answer in this case would seem much easier to find.

The Lisbon Story

THE state visit to London at the end of this month of the President of Portugal, General Craveiro Lopes, draws attention to a country with which Britain is allied not only in Nato but by the tradition of six centuries, and in whose economy Britain has for long periods played a decisive role, both as main supplier and as best customer. This role, however, is now strongly challenged, and the President's visit would still be of great value if it served no other purpose than to remind British exporters that the Portuguese economy is expanding vigorously and that Portugal is a market worth close study and foresight of the kind lately displayed there by German and other continental firms.

Portugal, with its relatively small population of nine million and its lack of a technologically conscious working class, is pulling itself up by its industrial bootstraps. Hydro-electric power is the key to its future, and its engineers speak of the day when the "electric night" in the north-east and in the south will have given place to power lines and industry.

The previously neglected north-west, with its steep gorges, is proving to be a great reservoir of future prosperity. An ambitious system of power stations on the Cávado and Rabagao rivers is halfway towards completion; when the dam at Paradela is completed, probably at the end of next year, the total annual output of electricity from the north-western system will be around 920 million kilowatt hours. Of comparable importance is the network of dams, reservoirs and power stations being developed in the Serra da Estrela. The great problem remains the transmission of power to the underdeveloped south, where the earth dam at Arade is the only local source of hydro-electricity; but transmission lines already reach as far as Beja, and the government has wisely decided to put general electrification before the development of specific industries.

That the latter will profit in turn is certain. In the region of Vila Real and Bragança there are thought to be further important deposits of iron ore, tin and wolfram, which have not been exploited for lack of power. The import of iron and steel is a major item on Portugal's trade bill, but its steady increase is in itself evidence of the pace of industrial expansion at home. That the latter sometimes takes rather unessential, if engaging, directions is suggested by the fact that Lisbon, a city blessed with relatively small traffic problems, is building an ambitious underground railway and that

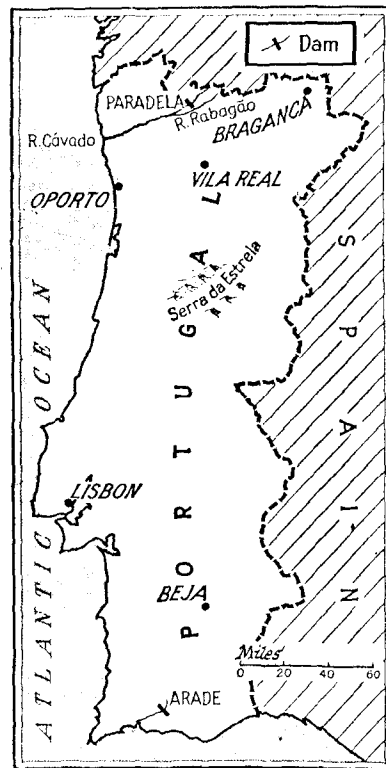
plans are on foot to provide it with a television system by 1958.

But perhaps the most dramatic element in Portugal's economic future is the development of its African territories. Oil, in what are claimed to be important quantities, has been found in Angola, conveniently near to the coast. Its exploitation will be financed jointly by Portuguese and Belgian capital. Coal has also been discovered in Angola, and copper mining in the Sierra do Poté is expanding. Overshadowing these developments, moreover, is the possibility of substantial uranium deposits in the Tete region and Zambesi province of Mozambique. The importance of these deposits and the programme for their exploitation are closely guarded secrets, but hints dropped at the Geneva atomic conference in August suggest that Portuguese expectations are high.

In considering the future of these lands across the sea, Portugal faces complex problems. On the one hand, it wishes to encourage emigration to Angola and Mozambique, especially by skilled men and those who can train the native population in modern farming methods. But it also wishes neither to interrupt the traditional flow of migrants to Brazil nor to lose too many first class brains and hands during its own industrial revolution. Moreover, Portuguese administrators are keenly aware of the problem posed by the growth of a white minority within an overwhelmingly black population, and they look with anxiety at events in South Africa. Hence the present doctrine is one of selective immigration to key areas, such as the Limpopo valley.

If the economic outlook at home is bright—the Portuguese having calmly accepted the fact that industrial expansion will often be accompanied by an adverse balance of payments—this is largely due to the very special political and social conditions under which Portuguese industry operates. These conditions can be, and are, described by a number of names ranging from "the corporative state" to "fascism." They include the prohibition of strikes—all disputes are subject to compulsory arbitration—and the strictest control of economic policies by the state.

But it is too often wrongly asserted that Dr Salazar has succeeded, where others have failed, in creating a fully-fledged "corporative state." He himself recognises that Portugal does not yet possess a complete system of corporations, representing employers and workers in each economic field, and in turn represented



in a national Chamber which would make a parliament organised on party lines unnecessary. The existing "Chamber of Corporations" is a makeshift; and even the prime minister, although still dedicated to his original doctrine, seems now almost resigned to the fact that the structure he planned will probably never be completed. And it may be added that *dirigisme* is, in itself, no warrant of success and that its undoubted achievements in Portugal have been the austere triumph of Dr Salazar and the team of dedicated pupils that he leads.

The cost of these achievements certainly seems greater to the outside observer than to the average Portuguese. When reminded of the existence in his country of political prisoners, some of them men of great distinction incarcerated without due process of law for years at a time, he tends to answer that they are a few. When told that the Portuguese parliament is a travesty of self-government and a debilitated debating club, he will observe with some shrewdness that the Latin temper may not be suited to parliamentary government and that the brilliance of Dr Salazar's colleagues derives precisely from the fact that they are men chosen purely on merit and without regard to years wasted in party politics. When queried about the absence of a genuinely free press or significant vocal opposition he will reply that to oppose the present regime on doctrinal grounds is to oppose Portugal's progress, and that to oppose it on specific grounds is only to heed Dr Salazar's wish that all men of good will should come forward with suggestions for the improvement of the *Estado Novo*.

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Unfortunately, these answers cover only one part of the truth. The price Portugal is paying for the efficacy of Dr Salazar's economic planning and social paternalism may be larger than is shown by the outward quiescence of political life. It is a tangible dearth of intellectual and artistic achievement, a real deadness in the air of a country renowned for its adventurous instincts in the past. Serious writing is generally acknowledged to be at a standstill, although Brazil provides evidence that this is not due to any intrinsic decline in the creative power of the Portuguese language. The schools are archaic in many of their pedagogic conceptions, and intellectual life—the free clash of opinions and tastes—is absent from all but a small circle.

This fact is all the more striking in a country where the Platonic ideal of philosopher-rulers has been so impressively realised; the university at Coimbra is now the direct road to government, and many of today's ministers were, only yesterday, displaying their talents in one of its seminars. In fact, six former university professors hold the key posts around Dr Salazar, and in Portugal a withdrawal from politics, such as that of Dr Costa Leite, may easily lead back to a professorial chair. But the relationship between university and state

is not one of equals but one of servant to master, and there lies one of the causes of the anaemia in Portuguese life.

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What of the future? Speculation regarding a potential successor to Dr Salazar now centres on the person of Dr Marcelo Caetano, formerly a professor of law and today Minister of the Presidency—a post specially created in 1950 for a deputy premier. But the only thing that can be predicted with some confidence is that Dr Salazar will be able to choose a successor without fear of opposition. What little opposition is permitted to survive tends to group itself around the not altogether serious cause of the deposed crown. But in that very fact lies one of the potential hazards of the *Estado Novo*. Should Dr Salazar's corporative utopia ever collapse, there is no responsible opposition to take its place or propose alternatives, and that may explain the oblique, but unmistakable, fear expressed privately by a surprising number of Portuguese about the future threat of Communism.

For the present, however, the British engineer and manufacturer might remember that Portugal has a growing economy in whose progress he can play an important part. And the British wine drinker should not fail to toast General Craveiro Lopes—with a glass of port.

England's Incompetence

We have unbounded confidence in the capacities of Englishmen for government and war as for the ingenuities and enterprise of peace—just as we have formed an unbounded estimate of the resources of England;—but what is the value of either if the former be not enlisted and well placed in the service of the country, or if the latter be not called forth and committed to able hands? We can neither conquer nor defend ourselves by latent strength or means—by grand possibilities of power. England yields to no nation in the deep intellect or daring and scientific energy of her sons; but what avail are these for winning triumphs in the domain of sacred learning or military enterprise, if we persist in sending our stupid sons into the Church and our vagabond sons into the army? We have youths of competent ability in the Queen's service;—but how can we expect that ability to bear fruit, if we pass it through no fit professional training? We have captains of genius and subalterns of long experience in our regiments;—but how can we expect our troops to be well led if we never place these men in positions of command? In short, we cannot deny that throughout this war we have made many unfortunate and damaging displays, which friendly and hostile observers are not far wrong in ascribing to incompetency—and we cannot wonder that this incompetency should be set down as national and not as individual, and that foreigners should be unaware how easily that operation of our institutions and habits, by which incompetency has found its way into positions where its power for mischief is so fearful, can be rectified by a simple expression of earnest and indignant feeling on the part of the people.

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Notes of the Week

No Change

SIR ANTHONY EDEN'S decision to postpone the Government changes for some weeks is a bad one, and for the very reason he used to defend it. He argued that the present team should be left unchanged to handle the "essential work" of the coming weeks. But it is precisely because the current economic and defence work is so important that most people think Sir Anthony should have reconstructed the Government already, and should certainly not delay any longer. It may be administratively inconvenient to switch ministers while a department is in the middle of a complicated policy review; but there are even more obvious arguments against carrying out that review with marked—and because they know they are marked, unconfident—men in key jobs.

These arguments have clearly been put forcibly to Sir Anthony by his own backbenchers. Some of their protestations, of course, must be discounted; backbenchers are always wanting Cabinet changes. Sir Anthony may also console himself with the thought that hell hath no fury like a politician scorned, and that there may be something to be said for leaving his ambitious followers travelling hopefully rather than not arriving. But it is bad for a party leader to give the impression that he is either slow to make up his mind or very quick to change it. It is also unfair to prolong the suspense for men who have, after all, their own private and business futures to plan. It may well be that Sir Anthony is having to sift conflicting advice—whether, for instance, there should be a tougher Minister of Labour, such as Mr Macleod might be, or another Sir Walter Monckton in Mr Heathcote Amory (in which case, however, the party would insist that he should find another Mr Heathcote Amory at the Ministry of Agriculture). It is also true that the changes proposed in the direction of the defence effort may eventually set free at least two forceful personalities for other jobs. But, while Sir Anthony delays, Tory discontents are brewing; most unfairly many of them seem to have fallen not on his head but—despite the good news contained in the latest trade figures—on the guiltless and resentful head of Mr Butler.

Mr Attlee's Succession

THE question mark over the party leadership loomed large at Labour's annual conference. Mr Attlee's departure within a matter of months is now accepted as virtually certain, but the party arrived at Margate with its feelings still very mixed about who should succeed him. At first

the grapevine that always wraps itself around a conference town reported a growing feeling (even if a resigned one) that Mr Morrison—who was back in his chirpiest mood—should take his turn on the throne after waiting so long. But the complications are immense. The moderate left in the Parliamentary party (which elects the leader) would prefer Mr Gaitskell, partly because it fears that Mr Morrison might be more inclined to risk splitting the party by going out with a hatchet after Mr Bevan, especially in view of the latter's latest outburst. Despite this, the far left, which does not believe that any hatchet-blow at its leader would be mortal, prefers Mr Morrison to Mr Gaitskell; it wants Mr Bevan to have another shot at the leadership in four or five years' time. Some of Mr Gaitskell's friends are perturbed by precisely this point; they are telling Mr Gaitskell that unless he bids for the leadership now and settles the problem for twenty years, this manoeuvring for Mr Morrison's succession will distract the party from its search for a policy. If Mr Gaitskell does contest the coming election by the Parliamentary party, there will be no danger of letting in Mr Bevan on a split vote; the leader has to be elected by a clear majority, and on the second ballot the bottom of the two right wingers would stand aside.

Mr Gaitskell has steadily strengthened his position throughout the conference. In the vote for the party treasurership on Monday he gave Mr Bevan a bigger hiding than last year—by 9 to 2, compared with 2 to 1 in 1954—and the latest Gallup Poll shows that he has climbed to equal popularity with Mr Morrison and that Mr Bevan earns the support of only 23 per cent of Labour voters. This makes nonsense of Mr Bevan's claim that only a few power-drunk union bosses are standing in his way. But the Margate voting emphasised how much Labour depends on the unions to choke the seeds of apathy in the constituencies. Only one Labour voter in four wants Mr Bevan to be leader, yet in the voting for the constituency section of the national executive the Bevanite slate was returned by the biggest majority it has yet achieved; and among the also-rans three members of the far left polled more votes than a reasonable if insufficiently advertised right wing ex-Minister like Mr Gordon-Walker.

Apathy among Labour supporters is clearly leaving the constituency parties more than ever at the mercy of tight little left wing caucuses. But the Margate conference has shown again that they are caucuses that an intelligent and efficient organisation, working to a policy co-ordinated by a calm and confident leader, could fairly easily control. It is becoming increasingly clear that the most important point for Labour will not be whether Mr Morrison or Mr Gaitskell becomes that leader, but that whoever wins should not do so after a fierce struggle that could leave resentment by the loser or embarrassment for the victor festering behind it.

Voices Over Cyprus

SIR JOHN HARDING'S announcement that his three talks with Archbishop Makarios had ended without any agreement being reached neither came as a surprise nor should be allowed to obscure the fact that the new Governor had got off to as good a start as was possible in the very difficult circumstances that face him. The inclusion in his brisk first round of consultations of these talks with the Archbishop was notable not only in itself but also as a reminder of how many years had passed since a governor of Cyprus had been closeted with a head of its dominant church. In his first broadcast in the island, Sir John was at pains to emphasise that the London conference, far from slamming doors, "threw wide open the door to self-government. . . . Beyond that the future is left open, and no one has been asked to commit himself." But neither his fair words, nor his evident desire to re-establish personal contact and, if possible, confidence between all who seek to settle the island's problems by peaceful means, have saved him from being branded in Greek broadcasts to Cyprus both as "pseudo-conciliatory" and as a "war criminal." Nor has the activity of the EOKA terrorist group, to which Athens radio lends an aura of heroism, ceased.

It can hardly be expected that the new Greek government of Mr Karamanlis will take any effective steps to restrain the men who hurl abuse and exhortations to bloodshed from the safety of broadcasting studios 700 miles away from the island. Indeed, the Greek Rally, the ruling party in Athens, is all too likely to regard an intransigent attitude towards Cyprus as the only means of papering over its internal rifts now that the personality of Field Marshal Papagos is no longer a unifying force. And whether the Rally splits, or survives to face elections at an early date, the contest on the hustings will largely be one to see who can cry *Enosis* loudest. Thus the situation in Cyprus, already ugly enough, may soon be further bedevilled by wholly extraneous factors.

Byzantium and Geneva

VYACHESLAV MOLOTOV had managed to survive twenty-five dangerous years of Stalinism without a single open recantation. Last week, however, he was forced to produce a public *mea culpa* which was published in *Kommunist*, the Soviet party's theoretical organ, together with a stern editorial reprimand. Eight months after the event, a reluctant apology was extracted from him for a remark, but faintly smacking of heretical deviation, implying that only the foundations of socialism had yet been laid in the Soviet Union. This sensational rebuke is a reminder how little the outside world really knows about the personal alignments in the Soviet "collective" leadership. All that can safely be asserted is that a veiled, Byzantine struggle still goes on.

Last week's strange confession, however, is not only an episode in that fight. It also marks the end of any hope Mr Molotov entertained of remaining above the battle in the role of referee or elder statesman. If such was his

intention, it has now been thwarted in a most unpleasant manner; he has been kicked into the centre of the ring. Probably issues of both home and foreign policy have set him at loggerheads with the new ruling group in the Soviet leadership. The apparently innocuous dispute over the correct formula to describe present-day Soviet society may reflect a deeper conflict over domestic doctrine. But the fact that a manoeuvre that inevitably means loss of personal prestige for the foreign minister has been executed just before his journey to Geneva suggests that the Russians may, in connection with a change of course in foreign policy, be preparing to remove the man who has been so long at the helm, even if he did not plot the course himself most of the time. Under Stalin, Mr Molotov merely carried out policies. Since 1953 he may have, in attempting to shape them, hastened the beginning of the end of his long career. But it is still far from certain that he will follow Mr Malenkov's step downward. The "collective" leaders are now on a see-saw rather than a ladder.

Slowing Down the Call-Up

THE Government no doubt feels that it has chosen the least of several political evils in deciding to reduce the annual intake of national servicemen by decreasing the number of registrations per year, thereby progressively raising the age at which men do their service. The two-year period of service stays, so that the services will continue to get a quota of trained technicians and non-commissioned officers from their national service cadre; and though this will be reduced in proportion to the total decline in numbers, there will be a substantial saving in manpower, money and frustration from having fewer recruits to train. There will also be some advantage in getting recruits who are nearer to being men than boys. The Government and service chiefs presumably also hope that the retention of the two-year period will at least partially offset the psychological impact on other Nato countries of the decision to reduce British forces as a whole by some 100,000 over a period of approximately three years.

The decision also meets the public's predilection for "equality of misery" in the matter; they were political, not military, objections which ruled the proposals for selective service out of court. But the scheme does not meet the general preference for a straight cut in the period of service, and the Labour party has been quick to condemn it as "evading" the true issue; the Prime Minister laid himself wide open to this sort of attack by hinting that at a later stage a cut as well as progressive deferment of registration was not ruled out. In practice the Government may find that the scheme gives rise to nearly as much discontent as would a selective call-up, although without its military advantages. The uncertainty about the date of call-up will be increased, however many explanations of it are given official publicity. Parents and children will find it harder to plan ahead, even for a widening gap between leaving school and call up. Those taking higher education will be given an opportunity to be called up earlier or later than other people as they wish, and it looks as if occupational exemptions may be slightly extended. It will not take much of this, together

with uncertainty about the date of a boy's call up, to give the impression that the scheme is operating unfairly.

In any case it will have to be recast in two or three years. Meanwhile it has the virtue of flexibility: the number of registrations can be increased at any time, though that means increasing instruction facilities too. But in fact the scheme's main virtue is that it gives a brief breathing-space in which to recast service manpower more nearly in accordance with the needs of nuclear war.

The Direction of Defence

THIS reorganisation for nuclear defence is, indeed, the main justification for a reduction of service manpower at this time; the Atlantic allies, in particular, need to be reassured that smaller British forces will be accompanied by more British hitting power within the next few years. Sir Anthony Eden's significant reference at Bournemouth to a "long-term" plan for defence encourages the belief that he accepts the need for drastic changes; but it may be wondered if he chose the words "long term" in relation to the task of overcoming inter-service differences, or to the time required to re-equip with nuclear and other modern weapons (and to solve the problems connected with their use and control). It is clear, however, that Sir Anthony is convinced that defence must be centrally planned, and that this must mean a new role for the Minister of Defence. "The Minister of Defence," Sir Anthony said, "if he is to do his work effectively, must be able to direct policy over the whole of his field."

This field includes the Ministry of Supply as well as the three service ministries. If Sir Anthony's words mean anything, they must mean that before long Mr Selwyn Lloyd will cease to be a co-ordinator, chairman of committees and general go-between—and become what he is at present only titularly, Minister of Defence. If responsibility for research were placed under him, this would in any case give him increased power over the services; but the ultimate objective must surely be to make the service ministers subordinate to the Minister of Defence, in the same way as the two Ministers of State for Foreign Affairs are subordinate to the Foreign Secretary. The development of a common service policy would then be a matter for the Minister of Defence alone. The achievement of far closer service co-ordination is, in any case, foreshadowed in the proposal to appoint a single Commander-in-chief for all forces, whatever their uniform, in Britain. Although the Government does not yet quite like to say so, the "home defence" for which he will be responsible means in fact the planning of survival after catastrophe—in which the importance of reserve forces is that they are disciplined formations that will be able to operate if the ordinary structure of civil life has collapsed.

One Service?

WHILE the Government has been hatching these plans for closer co-operation between the services, Field Marshal Lord Montgomery has leapt a long way ahead of them. In his lecture to the Royal United Services

Institution this week he bluntly stated that the traditional separation of sea, land and air forces no longer accords with the type of functional specialisation demanded by the conditions of nuclear warfare; his candid references to service rivalries, empire-building, vested interests, "propaganda machines" and the impossibility of getting unbiased inter-service advice at present should be noted by Mr Selwyn Lloyd. Lord Montgomery will not be satisfied merely with the subordination of the service ministries to a consolidated Ministry of Defence; he also wants a Chief of Staff of all armed forces to advise the Minister, and a progressive integration of the services—beginning, he suggests, by making all staff colleges for senior officers inter-service organisations. Ultimately, the Field Marshal sees a single fighting service, with a single tradition, specialised only as to particular arms, only some of which would be confined to a single element. If the Government is thinking (although not yet thinking aloud) along these lines, it will certainly require an outside personality in defence ministers even to initiate the process; it is one thing to demand an end to committees, and quite another to find a substitute for them. But shock treatment might serve the country better than diplomacy; it can even be argued that Parliament would be wise to set a period within which integration should be achieved.

Unfortunately, some of the difficulties were unconsciously underlined in Lord Montgomery's own speech. He properly emphasised that, at a time of transition, forms of organisation have themselves to be transitional; but this did not prevent him from demanding that the fighting men should give clear instructions to the scientists. Yet the pace of transition is set by the scientists. There will also be controversy over his proposal that the Supreme Military Authority and its Commander for the West should be located in America. It is also clear that Lord Montgomery does not consider that war has changed as much as some people believe. He spoke of the possibility of "imposing our will" on the enemy (in lieu of "victory"); and he evidently envisages that, although the rear of armies will be subject to massive destruction, a new type of self contained army formation will continue to fight prolonged actions that will affect the outcome. Whether plans of this kind will still be realistic by the time a single service has been brought into being, and the atomic stockpiles have risen correspondingly higher, is another question. What matters now is that the transitional solution should be effective—and therefore an effective deterrent to war itself.

Threats to Dr Adenauer

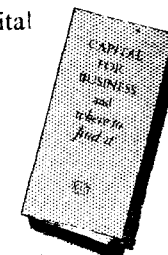
DR ADENAUER'S illness is a matter for more anxiety now than it would have been six months ago. He is not only six months nearer eighty years of age, but he is more indispensable than ever to the West—and the West to him. The "Geneva spirit" and its German counterpart, the "Moscow mood," have made his task more difficult. Since his agreement to establish diplomatic relations with Russia, the political climate in Germany has changed. It is true that the Chancellor is more popular among the public than before, because he has secured the release of German prisoners from Soviet camps. But the public has also



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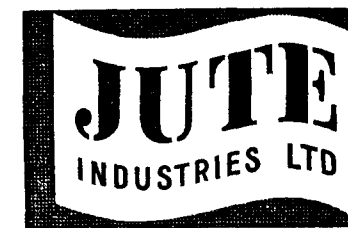
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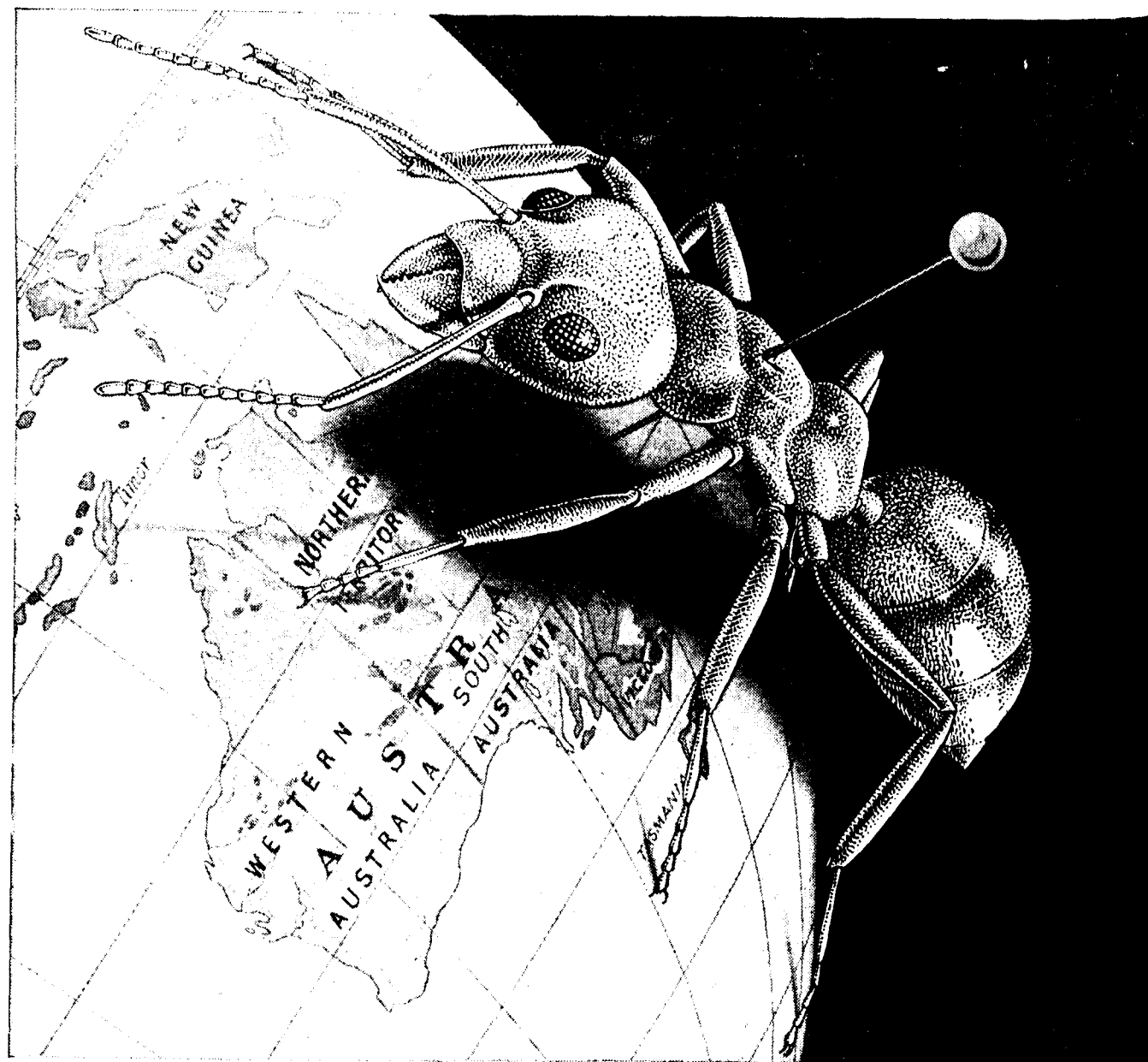
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In the past few years many Australian towns, especially in Western Australia and Victoria, have been increasingly plagued by Argentine ants. No jam pot or sugar bowl has been safe — wherever any sweet substance has been exposed the ants have congregated and made life miserable for everyone. The invaders were first identified in Australia in 1939 and have since become an unmitigated nuisance in some built-up areas.

The private wars waged on them by householders have now been superseded by organised campaigns of eradication. The insecticide finally chosen to wipe out the Argentine ant is dieldrin, recently developed by Shell. Dieldrin's greater potency and persistence make it ideal for open grid spraying, the method adopted. Infested areas are divided by spray bands into smaller units and the ants, including the foraging queens, must cross these insecticidal barriers sooner or later in their quest for food.

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softened its attitude towards the Russians, and is all the more inclined toward wishful thinking about the possibilities of an accommodation with the Communist system. The return of four Communists to the Bremen Diet in last Sunday's elections is a sign of the growth of such illusions. "Germany can be a bridge between East and West," and similar famous last words, are now being heard.

This new atmosphere has emboldened Dr Adenauer's opponents, and particularly increased the danger that threatens him over the question of the Saar. Dr Adenauer has very little public support, even in his own party, for his Saar policy, and there was a chorus of disapproval when he joined M. Faure in a joint statement intended to rally opinion in favour of the new statute. If the statute is rejected on October 23rd, it will be a black day for Dr Adenauer.

German Hostages Return

THOUSANDS of German Rip van Winkles, some of whom had been in Russian prison camps since 1942, returned to the Federal Republic this week, and the rest of the 9,600 whom Marshal Bulganin agreed to free are on their way. They are pitiful reminders of the tragedy which Hitler brought on the Germans as well as on the nations that defeated them. The Germans are too prone to behave as though they had a stainless record in the war, but in this case it is hardly likely that the men who are now returning were criminals. If they had been guilty, they would certainly not be alive today. Some of them, such as the youngest brother of Herr Alfred Krupp, were obviously held as hostages. All told, the ex-soldiers who have now been released represent one-tenth of the number who, according to German evidence, are still alive in Soviet hands, and only a small fraction of the 1,250,000 men of whom nothing has been heard.

The ex-prisoners reveal that it was not until Dr Adenauer's agreement was concluded in Moscow that conditions changed in the camps. Then vodka, caviare and brass bands were provided with assurances of Russo-German friendship. This last-minute cordiality has not, however, induced the released men to stay in the Soviet Zone of Germany, even if they had ties there.

Ex-General von Seydlitz is the most interesting of the freed generals. He incautiously revealed that he intends to work with the insignificant little party of Dr Wirth, the ex-chancellor who signed the Rapallo treaty and has never forgotten this claim to fame. The general was second-in-command to Field Marshal Paulus at Stalingrad. He was one of the founders of the "National Committee for Free Germany," and chairman of the "League of German Officers" which was formed in Russia after the annihilation of Hitler's Third Army. Field Marshal Paulus was returned some years ago to the Soviet Zone, and now conducts propaganda against Nato among ex-officers in both east and west Germany. Various officers of his staff and other members of the "League of German Officers" hold high posts in the Soviet Zone army and administration.

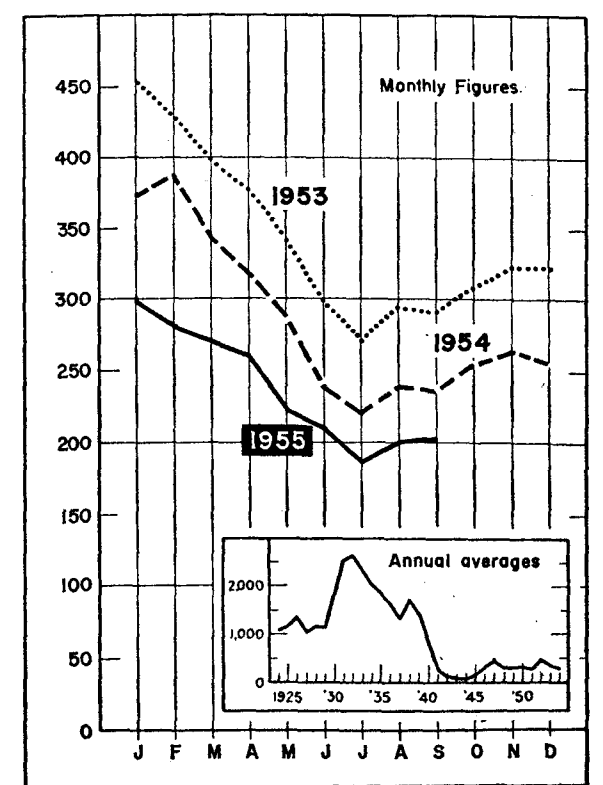
The officers who travelled back with General von Seydlitz sent him to Coventry. But this is not the attitude

of the whole of the former officer corps. Their criterion in such cases is, for the most part: did the commander in question save or sacrifice his men? Field Marshal Paulus is criticised by many former staff officers first and foremost for not disobeying Hitler's orders to fight to the death, and this is a view which is shared by the public. Generals are at a heavy discount in Germany today, even if they bear a famous Prussian name like Seydlitz.

M. Faure's Unfinished Battle

FACED with a swift succession of North African tests, M. Faure emerged from the Moroccan debate in the Assembly with flying, if not untarnished, colours. In two brilliant speeches he lucidly defined the government's policy and the need to negotiate with the nationalists—an opportunity which may no longer be available tomorrow. His evident awareness of the real problem and of its urgency naturally led Socialist critics to ask why he had tackled it so hesitantly. The answer is not hard to find; nearly half the deputies who had voted for M. Faure's investiture were against him last week on the Moroccan issue. The government's impressive majority for a policy of negotiation was mustered thanks to over 200 votes cast by Communists and Socialists, who shortly before had attacked the government violently for its weakness and delays. There is a majority in the chamber for a dialogue with Moroccan nationalists, but it is not the same majority as the one that usually supports M. Faure.

UNEMPLOYMENT IN GREAT BRITAIN [THOUSANDS]



His original conservative backers, thwarted over Morocco, may carry the vendetta into other fields. This could prove fatal over Algeria, since here the Socialists are unlikely to come to the government's rescue. On the other hand, it is somewhat difficult for the Gaullists to attack a policy of which one of their leaders, M. Soustelle, now Governor-General in Algeria, is the chief architect. The government's plans for Algeria are in general less likely to provoke conservative wrath than those for Morocco. Indeed, it is still somewhat difficult to assess what M. Faure's policy actually is. It is symptomatic of how little thought has been given to Algeria's future that, when the debate on this subject opened, selected ministers had to hold a special session to define what they mean by "integration."

This ill-defined concept seems to be situated somewhere between complete assimilation and Algerian autonomy with federal links. Yet, whatever its final shape, the very term "integration" was recently rejected by pro-French Algerian representatives. The government may thus find it easier to get its Algerian programme accepted in Paris than to apply it on the spot. France, however, cannot really afford a long-drawn North African conflict. The widespread disturbances among conscripts and recalled reservists are a portent of things to come. They can no longer be attributed to administrative errors alone; insubordination is spreading to lower ranks. Unless the government can destroy the impression that France is drifting into a second "dirty war," the effects of this mood are incalculable.

More University Scientists?

EVERYONE has had a say about the shortage of science teachers, and this week it has been the turn of the Convocation—the graduates' conference—of London University. On Tuesday, under the chairmanship of Dr Percy Dunsheath, a doughty fighter in this particular cause, it adopted a recommendation of its subcommittee that London University, if possible in conjunction with other universities, should consider increasing the number of its science students by between 60 and 100 per cent. This recommendation has now been sent on to the university authorities.

The proportion of science places in London is in any case being increased by the expansion of the Imperial College of Science and Technology, whose Rector, Dr R. P. Linstead, this week gave a progress report on the plan to increase the number of students from its present total of around 1,700 to about 3,000 by 1962. But most of these places will be for technologists, who do not usually become teachers. Plenty of objections will be made to such a large increase in the number of scientists as Convocation proposes. One is that the existing balance between the arts and sciences in the universities ought not to be upset—an argument which springs mainly from the much-talked-of "narrowness" of scientists, and which would have little force if their education could be broadened. A second objection arises from doubt whether enough talent is available to make so many science students; the failure rate is already alarming. But there are three sources of ability to draw on: the growing numbers who stay at school until they

are seventeen or eighteen; the people who, as things are, would choose to take arts degrees, but who might be persuaded to do science instead—if necessary by the offer of a preliminary science course at the university to make up deficiencies in the science they have learned at school; and finally, the increase—of about 40 per cent—in the potential student population when the "bulge" moves out of the schools. From these sources combined, 60 per cent more science students might be recruited within seven years without lowering standards of entry.

It is strongly felt by some in the universities, however, that to avoid lowering standards is not enough: they ought to be raised, as the potential student population increases, by closing the door to "duds." The scientists who would be kept out by this policy, they say, are the sort of people who would benefit more from courses at the technical colleges. The universities have only just begun to think about this question, but it is much the most important problem that they have to face.

Uncommitted Territories

THE appearance of a report (Cmd 9580) on the three High Commission territories in South Africa (Bechuanaland, Basutoland, Swaziland) is a reminder that while the British taxpayer is steadily underwriting their economic and social development, constitutionally and politically they remain in the ice-box. But how long can they stay there? The growth of African secondary education alone makes it clear that a politically-minded generation of Africans must arrive sooner or later. There is, however, not a reference to political development in the report, which is clearly stamped as a diplomatic rather than a Colonial Office type of document. Mr Strydom is now taking an extremely moderate line about the future of the protectorates; at the last Nationalist party conference he told his supporters that it would be settled by "agreement" and "between friends." Some indication of the lines along which he may be thinking may be found in an article which appeared recently in a nationalist newspaper: it suggested that while sovereignty could remain with Britain, the administration of the three territories should be progressively transferred to South African hands.

This would certainly be an ingenious way of getting around the evident reluctance of British public opinion to transfer the protectorates while South African racial policies are what they are, and the probability that if African wishes were consulted the reply would favour continued British rule (with some feeling in Bechuanaland for incorporation in the Rhodesian Federation). But no British government is likely to play the game that way, especially while development and welfare funds are being spent in the territories. No doubt South Africa would willingly take over this financial commitment if it strengthened its political claim—as it is, the Union is virtually offering Swaziland a new port on the Zululand coast and a railway link with it. But the choice has to be made between continued administrative stagnation and progress along Colonial Office lines—notably the setting up of legislative councils, especially in Bechuanaland

(where such a move could be a prelude to letting Seretse Khama return as a public man, though not a chief, to his people). To take such a step would rebuff and anger South Africa; but not to take it is to accept increasingly a transfer to South Africa as a mere matter of time and agreement "between friends." Britain cannot sit on the fence much longer, whatever the consequences for Commonwealth relations.

Egypt Sips Elixir

IT looks as if the Russians' would-be retort to the West's "northern tier" of Middle Eastern allies is a "southern cluster," and as if the policy is an initial success. All the Arab governments are anti-Communist, but all relish a chance of displaying independence of mind. The consternation into which the news of the latest Russian overtures to them threw Washington, and to a lesser extent London, does not say much for western imagination. To think that the West enjoyed an unchallengeable monopoly as a purveyor of arms and aid was over complacent, and what is surprising is not that the Russians have offered both, but that they did so only now instead of in the years when Anglo-Egyptian relations were bad. Today, Colonel Nasser has refurbished Egypt's shaken prestige by his act, and, as an article on page 231 points out, his western friends may yet find him easier to deal with as a result.

From the western angle the one unmitigated drawback of his policy is the path it opens to an arms race between Israel and the Arabs, to consequent financial strain on poor countries, and to the establishment of a new arena in which East and West may be viewed as taking opposite sides. In the realm of economic aid, the outlook is not all black. Undoubtedly the Russians will win headlines and score social successes, thanks to their Moslem connections and to their talent for mixing without condescension, but surely the British and the Americans can match them in other respects, and notably in that of repute as disinterested consultants, particularly in the field of engineering. Negotiations with one such British firm of great experience are in progress over the Aswan high dam.

Russian competition in economic aid may even, in time, provide some contrasts that will work out to western advantage. Once the West is no longer the only milch cow available, the opprobrium for inadequacy of generosity may be shared instead of being directed all one way as it is now. Experience both in Iran and in Iraq suggests that, once a choice is available, appreciation of western qualities tends to grow rather than to diminish. Certainly the Egyptian trainee despatched to a foreign university will for a year or two look for everything there is to praise in Moscow, and everything to criticise at Leeds or MIT, but after a while he will make more profound comparisons.

It is too early for an unqualified wringing of hands, except in Israel. But it is not too early to assert that the counterstroke to be avoided by London and Washington is that of rushing forward with rival offers that will start a bargaining game in which neither of them is a match for Orientals.

The Shah Takes Sides

AT the very moment when Colonel Nasser is winning round on round of Arab applause for a policy of flirting with both East and West, the Shah of Iran has abandoned the technique. This week he has secured the approval of the Iranian cabinet, and is seeking that of his parliament, for adherence to the Turco-Iraqi mutual defence pact of last February, to which Britain and Pakistan now also belong. If parliament falls in with his view, the gap in the "northern tier" is filled; apparently Russia's immediate neighbours feel less confident than Egypt that Russian smiles mean abandonment of disruptive aims.

This surprising departure from the policy of balancing between the great powers at which Iran has been an adept for decades seems to be the outcome of arguments pressed home by President Bayar of Turkey when he visited Teheran last month. The Shah has been known to favour it for some time; perhaps it was to wean him from it that Moscow placed him first on the list of reigning monarchs to get an invitation to Russia. But some of his people, remembering their long and vulnerable frontier with the Soviet Union, are bound to enquire what concrete advantages Iran is going to get out of the decision. To many Iranians, Turkish assurances about the quality of western help to allies will not be enough. It will now be up to the West to prove that it does better by its firm friends than by its flirtatious ones.

Russia has not taken the news lying down, and Moscow radio is already quoting "reports" that Turkish and Pakistani troops will now move into Iran. So far, Moscow has not mentioned the Soviet-Iranian treaty of 1921 in this context, but it is well to bear the exact purport of that treaty in mind. As originally agreed, its Article VI afforded Russia the right to "advance its troops into the Persian interior" in several contingencies, one of which was foreign use of Iranian territory as a base of operations against Russia. But the Majlis of the day raised such objections to an article that seemed to impair Iranian sovereignty that the treaty was capped by a Note in which the Russians made it clear that the article "was intended to apply only to cases in which preparations are made for a considerable armed attack upon the Soviet Union . . . by the partisans of the regime that has been overthrown." The treaty, therefore, was directed against Denikins or Wrangels, and they are not rising from their graves now.

The Map of India

THE full reactions to the state boundary changes proposed by India's three-man commission on reorganisation may take time to show themselves. It is the changes that have not been recommended that are the most probable sources of discontent; the Sikhs are not offered a Punjabi state which they could hope to dominate, and the Mahrattas' hopes that Bombay would be divided in their favour are likewise dashed. But meanwhile it can be seen not only that the changes proposed will greatly simplify the map of

Letters to the Editor

Interim Report

SIR—Mr Kaldor's fear that low taxation and dear money will make for a high-consumption and low-investment economy seems to be based on an over-simplification. Most business men, when interviewed by economists, say that their decisions about productive investment, designed to yield a direct return in the form of lower costs and higher output per man, are not much affected by changes in market rates of interest. It appears that uncertainty about the future makes many of them unwilling to regard such an investment as profitable unless it can be expected to show a gross annual saving in the region of 20 per cent or more of its initial cost. The kind of investment most likely to be affected by credit restriction is that undertaken because "It would be rather nice, and we can afford it," such as new office furniture, more impressive motor-cars, new shop fittings and so on. There may also be some cuts in expenditure on advertising and other "current" items, expenditure on which has been encouraged in the past by high taxation of profits.—Yours faithfully, J. L. CARR

The University, Reading

Political Suburbs

SIR—An article in your July 9th edition made numerous references to my work on the 1952 presidential elections. While much of what your "special correspondent" reported is a fair assessment of some of the work on the suburban vote in the last election, I take exception to two points:

1. In claiming that "In so far as Mr Harris's conclusions are based on surveys by a 'commercial' organisation, they are suspect, because such polling enterprises cannot use the very expensive but undoubtedly more accurate methods of latest academic efforts in this field," your correspondent did not check his facts. First, in surveying the 1952 presidential election, the Roper organisation spent considerably more funds in its research effort than the University of Michigan or any other academic effort. The Michigan group, for instance, had a budget of \$90,000 on a grant from the Social Research Council for its research. The Roper organisation spent well in excess of \$100,000. But money alone does not tell the full story. In addition, the Roper firm collected a good deal more data than the Michigan people. Again, to give but one example, Roper election surveys were taken at six separate time intervals from January, 1952, through election day. In addition, a special post-election panel

re-interview re-check of the last sample was made under grants from Professors Samuel Stouffer of Harvard and Paul Lazarsfeld of Columbia, who had access to some Ford Foundation funds, which they kindly made available.

2. Your correspondent further states, "The much touted swing of the female vote to Mr Eisenhower in 1952, to which Mr Harris devotes a whole chapter, is belied by the University of Michigan's study. . . ." There is some disagreement between the two studies on this point. But might I point out that the Roper conclusions are not based on one sampling as is the Michigan study? The Roper organisation used six separate samplings and independently came up with the same trend throughout—women were more heavily in favour of Eisenhower than men. What is more, if you analyse carefully the Michigan data, you will find that one major element in their claim is that more men than women voted for Eisenhower. But this is partly artifact, since more men than women also voted for Stevenson. More men voted than women. The critical fact, brought out by a number of independent measures, is that proportionately women voted more heavily for Eisenhower than did men. For example, in labour union families it was found that trade union women voted much more sharply for the Republican candidate than did their trade union male counterparts. I have seen no such detailed or controlled analysis from the Michigan study on this point.—Yours faithfully, LOUIS HARRIS
Elmo Roper and Associates,
New York

Hire Purchase in Restraint

SIR—A close analysis of the statistical return issued by "Hire Purchase Information" discloses that the drop in sales of motor vehicles is particularly high in respect of used cars and motor-cycles. Since July, when the new hire-purchase restrictions came into force, the decline in the sales figures of used motor-cycles has been of the order of almost 50 per cent; the number of used motor vehicles sold on hire purchase has fallen from nearly 38,000 in July to 26,000 in September. This drop is far greater than the usual seasonal one. The sale of new motor-cars on hire purchase during the month of September shows, in fact, an increase over the month of August. These figures bear out the fact that the recent hire-purchase restrictions fall particularly and unfairly upon a section of the motoring public to whom the use of a motor vehicle is a necessity. To many requiring a motor-cycle at, say, £100, or a used motor-car at between £200 and £250, the increase in the

minimum deposit has proved prohibitive.

Used motor-cars or motor-cycles are not diverted from export markets and do not constitute an additional drain on scarce raw materials; rather do they tend to take the pressure for new vehicles off the home market.

Surely there is a case for the differential treatment of used and new motor-cars and cycles, and to apply to used cars and cycles the same exemptions which have been accorded to the furniture industry, where the deposits have been left at 15 per cent.—Yours faithfully, I. C. H. BURTON
Ashbourne Insurance Brokers Ltd.
N.W.11

The Council Housing Nettle

SIR—As the chairman of a housing committee responsible for the building of council houses, it has been somewhat frustrating to find that successive increases in Public Works Loan Board rates have completely negated the effect of our efforts to achieve economies in the costs of construction. As a layman in the realms of economic theory, however, I am puzzled by the problem of the relationship of rates of interest on 60-year housing loans (no break clause) and the Bank rate and Treasury bill rate.

It would appear that the Treasury borrows in the market at one rate of interest and lends to local authorities at a higher rate—through the agency of the Public Works Loan Board. During the twenty years previous to last January, PWLB rates were from 1½ per cent to 2 per cent higher than the Treasury bill rate. During that period it would appear that the profit made by the Treasury more than offset the cost of Exchequer subsidies.

The proposals contained in your article on October 1st would lead to substantial increases in rents, especially in the case of tenants of prewar houses built for less than £400 and which bear an interest rate of 3 per cent. These tenants have already had their rents more than doubled in order to reduce the rents of postwar houses.

Can there be any moral justification for your suggestion that these tenants should "pay a full economic rent based on free market prices or on the replacement value of their house"?—presumably at present PWLB interest and repayment rates? These amount to £5 5s. 5½d. per £100 loan. Thus the rent on a £1,500 house would be £79 plus, say, £18 for repairs and supervision. Tenants would, therefore, pay in four years a rent sufficient to cover the original purchase price of the house which they occupy, and in two years they would pay sufficient to cover the total exchequer and local authority subsidy liability.

Differential rents are certainly not the answer to our present troubles. It is surely significant that 88 per cent of local authorities of very varied political complexions have not adopted this method of rent fixing.—Yours faithfully, SWANAGE, DORSET ARTHUR GASKELL

Books & Publications

The Oppenheimer Case

WE ACCUSE!

By Joseph and Stewart Alsop.
Gollancz. 208 pages. 13s. 6d.

ALTHOUGH the Oppenheimer case aroused considerable interest in this country, available information on it, outside specialist circles, has been confined to what appeared in the British press at the time. Disquieting as it seemed, as an example of the way in which the United States government rewards distinguished services, it was the element of personal injustice involved that mainly gripped the public's attention. Those who were tempted to draw wider conclusions tended in the main to regard it as merely the latest manifestation of the McCarthy malaise, even though the Senator was not personally involved at any stage in the proceedings.

The main value of the Alsops' little book is that it places the victimisation of Dr Oppenheimer in the only context that really makes sense, the political. It makes it plain that he was a casualty in a larger conflict, the battle of the policies of the Strategic Air Command. This thesis, familiar to readers of the American press, is fully and convincingly set out here. It cannot, in any legal sense, be proved, but the authors have marshalled very impressive evidence in its support. Certainly the trumpety character of the charges brought against Dr Oppenheimer forces one to look behind the "judges' verdicts for the real explanation of his "conviction."

The English reader, unfamiliar with the desperate inter-necine conflicts of which official Washington can be capable, is bound to ask why Dr Oppenheimer, if his advice was unacceptable, was not simply dismissed without being subjected to an investigation which was, in effect, a trial. The official reason, given by the Gray Board, was that even if he were relieved of his position he would still, unless expressly debarred, continue to receive "classified data." The Alsop reason is that the ruin of his reputation was an indispensable stage in the defeat of the policies which he advocated. To the outside observer neither of these reasons seems to explain everything.

There is the further point that, by all orthodox—certainly by all Whitehall—standards, of the proper relationship between policy makers and expert advisers, Dr Oppenheimer had strayed across the line that ought to separate the two and was firmly established in the policy makers' territory. Was this merely a special case of a familiar Washington phenomenon, the American government having in these matters, as

one knows, a set of standards different from our own? Was it a function of Dr Oppenheimer's own personality? Or was it something which follows inseparably from the discoveries and researches of atomic physics itself? One would like to know; if the last explanation is the true one it has implications for Englishmen as well as for Americans.

However, one further point suggests itself. How much of the Oppenheimer scandal might have been spared had the permanent officials concerned, particularly in the defence departments, been of a calibre, intellectual and moral, to stand up to Dr Oppenheimer when, in the course of their departmental duties, they found themselves in disagreement with him? As the testimony makes only too plain, the atomic physicist outpointed his critics in all the debates that preceded their final breach. They simply could not cope with a mind that moved as fast as the electrons it studied. And so, worsted in argument, they transferred the debate to an arena where it could be settled by the cruder weapons of a criminal lawyer's cross-examination and a majority of hanging judges. In so doing, they won their battle, but at a price which was, and perhaps still is, desperately costly to the Republic whose security they were so concerned to defend.

A Diplomat Diagnoses

THE HUNGRY SHEEP.

By David Kelly.
Hollis and Carter. 244 pages. 18s.

SHARP controversy is not often provoked by books written by retired ambassadors. Sir David Kelly offers an exception to this rule, as he has done to others. True, he is unashamedly fond of lauding nineteenth-century diplomacy, with its "essentially pacific outlook," and it is in the purest tradition of that diplomacy that he should display alarm and horror at

the ultimate effects of the gradual transfer of authority to the anonymous impersonal collective forces massed in the great urban agglomerations created by 19th-century industrialism.

One's own spine is momentarily chilled by the thought of these faceless hordes, these myriad tentacles clutching out of the dark streets. But the nagging thought then comes: has Sir David never met one of these anonymous agglomerated citizens, and found him quite a decent, even sensible, chap? One of his own liveliest whacks, in a book full of very readable debunking, is aimed at Sir J. G. Frazer, "who

admitted cheerfully that he had never met a black man." Sir David himself might profit from a tour of the Black Country.

But there is more in this book than a lament for lost dignities. Sir David is a considerable historian, and few will quarrel with his analysis of the disastrous working out of the effects of nationalism, doctrinaire materialism, demagoguery and wishful thinking, in past centuries and in our own time. He gives us "a brief run with the cyclists"—Spengler, Toynbee, Danilevsky and others—and it is heartening to find that a man so versed in their theories (and with a weakness for the Apocalypse) can still deny that our civilisation must disintegrate. Sir David sees western society as threatened from the outside by forces which it fostered itself, and from within by both "loss of nerve" and by facile optimism; but he holds that it can yet be saved by a bold return to spiritual values, a restoration of the individual's status in face of the state, a firm hold on realities in the taking of political decisions, and a stern rejection of catchwords. He himself has made an excellent contribution to the hacking away of shams and sophistries that must precede any such renaissance. But he admits that in all these things it is easier to diagnose than to prescribe; and it is disappointing that after so searching a diagnosis of "psychic cancer," the only practical remedies he seems able to suggest are on the level of his commendation of Belgium's "no politics" colonial policy in the Congo.

Anatomy of Britain

THE BRITISH WAY OF LIFE.

By K. B. Smellie.
Heinemann. 205 pages. 15s.

THIS book is not about the British way of life; at all events, it is not about the texture and colour, the flavour and savour, of life in these islands. Professor Smellie's title was prescribed for him by the series of which this volume forms part; what he has produced under that title is an historical explanation and assessment of Britain's political and economic institutions, buttressed by some sociological matter dealing with the family and with education.

On his own ground, dealing with political ideas and their emotional and philosophical roots, with political institutions and their practical working, Mr Smellie is dazzlingly good. Brilliance and balance, epigrammatic conciseness which never deceives the reader into a belief that the last word has been said, a gift for opening up diverse perspectives while remaining firmly on the main highway, combine through forty pages to produce that paradoxical achievement, a living anatomy. Nothing better of its kind could be offered to the enquiring foreigner.

In economic matters Professor Smellie's touch is less certain; he has neither the inspired confidence about what to leave out nor the sure eye for

the central thread to be followed: on the vitally important contemporary question of the relationship between full employment—the fullest in the free world—the free wage bargain, and the stability of money, he is totally silent; and on the equally vital question of an industrial exporting nation's role in an increasingly industrialised world he is painfully confused.

The chapter on education is a businesslike, self-contained, usefully informative little pamphlet which promises something more and fails to fulfil the promise; that on the family provides only some familiar demographic material and a sketchy account of the changed position of women. One chapter, to which these might have led up, is as obviously missing as an absent front tooth—a chapter on the British social structure, on class distinctions, barriers and interrelations. "The British Way of Life" is, in fact, a rather scrappy and uneven book; but its excellence at its best amply redeems the weaknesses and omissions of its less satisfactory parts.

Great Unpeopled Spaces

PEOPLING THE BRITISH COMMONWEALTH.

By G. F. McCleary.

Faber. 189 pages. 18s.

IN 1883 Seeley predicted that in fifty years the "Englishmen beyond the sea" would be "equal in number to the Englishmen at home"; and about the same time the Premier of Victoria promised Froude that by the nineteen-forties Australia would have fifty million people. Froude, more pessimistic, put it at ten million; in 1955 it is nine million—and the total number of "Englishmen beyond the sea," even including French Canadians and Afrikaners, is only half the population of Great Britain.

A dream has faded, and Dr McCleary has set himself the task of showing why it did so; he makes of demography a most readable and useful chapter in British social history. The basic plot of his story is simple: for Seeley's dream—quickly communicated to a generation of newly converted imperialists—arose from the fall in the death rate that gave Britain the surplus population to send overseas to pioneer the third Empire, and collapsed with the collapse of the birth rate which caused that surplus to vanish and Britain to become a country of immigration. "It seems," writes Dr McCleary, "that there has been laid upon our Commonwealth a painless hand—the painless, unseen, insidious, effacing hand of a willed sterility. It was not a foreign enemy that laid this hand on us. We laid it on ourselves." Both in the homeland and the new countries the British kept the cradles empty to enjoy an ever rising standard of life, neglecting the tasks to which the "vast resources" of the dominions called them.

But is demography quite the whole of the story of the Third Empire? For

even when the settlers were available by the million—between 1830 and 1914—they mostly went to the United States. And for a simple reason: capital investment in the United States, partly undertaken by Britain, produced the biggest opportunities. Precisely because the resources of the dominions were not, and are not, on anything like the same scale, the same rapid expansion has not followed. Now, it is true, greater resources (mainly in Canada) are coming to light, at a time when Britain, investing in its own boom, has brimfull employment and little surplus capital to put into dominion development. Yet despite the jobs vacant in Britain, settlers still go to the dominions, if in diminished numbers. The remarkable postwar transformation of Britain as a "processor" of British citizens—both sending a million overseas and bringing about the same number of aliens in—is hardly probed by Dr McCleary. For the truth is that Britain is as much a country of expansion as the dominions, whose vast resources—or the rate at which they can be converted into homes and jobs—can be overestimated. Dr McCleary contents himself with summing up the arguments for and against "mass migration"—the redistribution of Britain's population among the dominions—without venturing an opinion of his own. But he might have summarised some of the basic facts about economic growth and mentioned, for example, that Australia's population policy, based on political rather than economic considerations, helped to produce an embarrassing inflation. On the consequences of trying to engineer a population increase of more than 3 per cent per annum, Dr McCleary, as a demographer, is silent.

Law for the Hundred Thousand

THE LAW OF CIVIL INJURIES.

By Hamish R. Gray.

Hutchinson's University Library. 191 pages. 8s. 6d.

PRIVATE INTERNATIONAL LAW.

By J. A. C. Thomas.

Hutchinson's University Library. 174 pages. 8s. 6d.

BOOKS about law for laymen should be concise, accurate and readable. Both these additions to Hutchinson's University Library are concise and, as far as they go, accurate, but neither author has succeeded in bringing his subject to life. This is particularly disappointing in Mr Gray's book, for the law of civil injuries teems with entertaining cases which, well described, can illuminate the subject. Unfortunately, Mr Gray usually contents himself with a bare outline of the facts.

Mr Gray's chief fault is an approach which is too historical and abstract: it is hard to plunge the general reader on the sixth page of the first chapter into "assumpsit" and the Common Law Procedure Act 1852. Again, in dealing with the commonest torts—those which

arise out of factory accidents and the driving of motor-cars—Mr Gray assumes too much knowledge and says "the reader will no doubt be familiar with the infinitely variable details of 'running down' cases." Many practising solicitors find that most of their clients have to be somewhat carefully instructed on the law both on running down cases and factory accidents.

Mr Thomas can hardly be blamed for not making private international law entertaining. But he would have been well advised to begin by explaining the difference between public and private international law, which are almost always confused by laymen, and to emphasise that in spite of its name private international law is part of English law. Having done that Mr Thomas would still have found it difficult to know where to go next. Before it is possible to understand the rules of private international law it is necessary to appreciate in outline at least what is the English law on the subject in question. Mr Thomas should therefore either have prefaced his book with a warning not to read it until the series had produced several other books, or he should have begun each chapter with a comprehensive essay on the English law. As it is he has compromised: he has given a very brief outline of English law when necessary, but in doing so has fallen between two stools. Like Mr Gray, Mr Thomas has made an academic and historical approach to his subject and takes the reader back to Justinian on the third page of the first chapter.

The upshot is that both books would be very useful to students refreshing themselves for an examination, but it is not for them that they are intended. In the space which each author has at his disposal a great deal must be left unsaid and it requires much more skill to write a descriptive book for the uninitiated than to write a textbook for practitioners.

Apologia for Defeat

IN THE THICK OF THE FIGHT, 1930-1945.

By Paul Reynaud. Translated by J. D. Lambert.

Cassell. 694 pages. 45s.

M. REYNAUD'S able apologia for his role in the disaster of 1940, and the years preceding it, was originally published in 1951 as "Au Coeur de la Mêlée" and was reviewed in *The Economist* of April 12, 1952. This work was itself a documented expansion of "La France a Sauvé l'Europe" published in 1947. The English version, which is called an abridgment and runs to about two-thirds of the original, exemplifies the not uncommon publishers' practice of giving no indication of the principle upon which the abridgment has been made or of indicating the actual cuts. What has mainly been pruned, it seems, is M. Reynaud's criticism of other versions of the events concerned. These still bulk very large for a personal memoir, but the new

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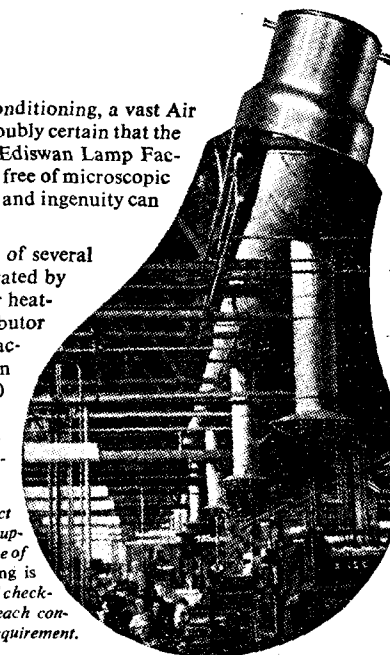
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sources made available since 1951, such as the British "Documents" or the memoirs of General de Gaulle and General Spears, are not incorporated, though one comes across an interpolation of some telephone intercepts which confirm General Spears's version of the impact upon M. Reynaud of the offer of an Anglo-French union.

The translation is adequate, but that familiar trap for translators—retranslation—has not been altogether avoided. This version makes Sir Winston Churchill write that the Russian proposal for a conference after the Anschluss was "accepted without enthusiasm both in London and Paris." M. Reynaud in the French version made Churchill say that the proposal *fut accueillie sans enthousiasme*; what Sir Winston actually wrote was that the proposal "met with little warmth." In fact it was not accepted but rejected. There are also a few footnotes intended to elucidate the French institutions and parties of the period for English readers. M. Reynaud has not succeeded in making his story readable for its own sake; the historian of the period will want to go back to the original.

Input-Output

INPUT-OUTPUT: *An Appraisal.*
Studies in Income and Wealth.

Vol. 18.

By The Conference on Research in Income and Wealth.
Princeton University Press. 381 pages.
\$7.50.

THE acceptability of any economic hypothesis depends ultimately on its power to predict. This is particularly true when the hypothesis is slow to gain wide *a priori* acceptance, as has been the case with Leontief's system of production functions. The conference to which seven of the eight papers in this volume were read met in October, 1952, "to acquaint the economic profession with this new source of information and tool of research and, on that basis, to make possible an assessment of the potentialities of the approach." The new source of information was the large-scale input-output table compiled by the Bureau of Labour Statistics, which describes in fine statistical detail the inter-relatedness of the American economy in 1947. Unfortunately for the second purpose of the conference, applications of the table to problems of industrial mobilisation were (and still remain) veiled in shrouds of official secrecy. Many of the contributors to the symposium recognised that without any practical testing of the method the attempt to appraise its usefulness might prove premature.

Nevertheless, some kind of assessment was in order at a time when a major contribution to economic research had been completed, and there is much in the papers, and more in the comments upon them, to interest both the specialist and the general reader who has even the slightest acquaintance with the study of inter-industry relationships. The papers in the latter half of the book—by Moore,

surveying, in rather general terms, a few inter-industry models; by Sigel, comparing at some length the structure of three social accounting systems; by Liebling, who offers several useful observations on input-output and national income theory, and by Gosfield, who has constructed a table for Puerto Rica—are more likely to interest the specialist. The general reader who wants to have the arguments marshalled on either side of the question will find Goldsmith's introduction and Christ's paper (with Friedman's comments) admirably suited to his purpose.

But the three papers by Leontief, Evans and Hoffenberg, and Norton, taken together, represent an attitude towards input-output research that the sceptic of 1952 could easily be forgiven for regarding as statistical empire-building. If some well-known American economists have recorded a Scots verdict of not proven upon the claims advanced by these American practitioners, this was because the claims were pitched injudiciously high. Experience in this country, in the Netherlands and in Scandinavia has since indicated that the construction and use of input-output tables has a valuable part to play in any programme of economic research—always provided that too much is not claimed too quickly.

Shorter Notice

THE ESSENTIALS OF ECONOMICS.
By Douglas C. Hague and Alfred W. Stonier.

Longmans. 173 pages. 12s. 6d.

In their "Textbook of Economic Theory" Mr Hague and Dr Stonier addressed a sharply delimited, clearly envisaged audience, to whose particular needs they shaped their work in the light of first-hand experience. Here they turn from this specialist audience to the general public. "This," says the publisher's blurb, "is that unusual thing—a book on economics which can be read with ease by the general reader."

The claim has been heard before; it is generally optimistic; as applied to "The Essentials of Economics"—close-knit, austere businesslike, avoiding, it is true, diagrams and technical terms, but equally eschewing all devices of popular appeal—it is positively starry-eyed. The authors display, here as in their earlier book, that architectural quality of thought that gives coherence and balance to a complex system of ideas; any fellow-practitioner will read their work with appreciation and respect for a thoroughly sound job; and an ideal "general reader," fired with a truly Victorian zeal for self-improvement, would by the time he had finished it have a better grasp of his subject than a good many economics graduates.

Such general readers are, however, few. In practice "The Essentials of Economics" is likely to be most appreciated, once again, by a fairly strictly delimited group; by students of higher-than-average mental quality, for whom economics is only a subsidiary subject and who therefore do not need so technical a work as the "Textbook of Economic Theory" but who are unwilling to make do with the lightweight productions designed for tired business men and schoolboys.

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.

Open Season for Politics

Washington, D.C.

WHEN President Eisenhower's heart faltered, American politics awoke from a trance. Up to that point politicians and commentators had been going through the motions of analysing next year's election campaign in lacklustre fashion, for all were bemused by the President's strange immunity from the normal rules of political life. It was assumed that the Republicans would manoeuvre their hero into a position from which he could not in good conscience retire to his Gettysburg farm. The Democratic party's candidature was a sacrificial burden to be tossed to Mr Stevenson or Governor Harriman of New York. More youthful Democratic aspirants had begun to line up for the nominating convention of 1960, when their older leaders would be eliminated by age or previous defeat and when Mr Eisenhower would be out of the picture.

Now all is altered. The official Republican fiction is that Mr Eisenhower may be well enough to run and that the choice must be left to him. This at once satisfies the requirements of politeness and places premature hopes under some restraint of good taste. But the facts are plain: Mr Eisenhower would have preferred to be a one-term President even before his illness and had repeatedly mentioned that his state of health would be a key factor when he came to make up his mind whether or not to run in 1956. That he should now disregard it seems almost inconceivable.

There is little to be said for the idea advanced in some quarters in the last two weeks that, since everything has gone so smoothly without a President so far, a little extra efficiency in the staff organisation at the White House would enable the country to continue for another five years under a President with a weak heart. Indeed, despite the impressive way in which the crisis has been handled, it has nevertheless called attention to the truth that, under the American system, the President alone is the executive branch of government. If he is lucky or the staff work is good, there may be united advice but there can be no collective responsibility.

Under such a system the Cabinet is a gathering of those few of the President's numerous advisers who happen to head the traditional departments, together with anyone else he cares to invite. Only the National Security Council, a postwar device intended to give some continuity and direction to foreign policy and defence, has a statutory membership. Neither of these bodies has any authority to put the Presidency in commission or to make a ruling on the degree of presidential "incapacity" which, in the words of the Constitution, calls for the "duties of his office" to "devolve" on to the Vice-President. Besides being the

heir in the event of the President's death, resignation or this undefined incapacity, the Vice-President, Mr Nixon, is but three things in his own right: the chief officer of the Senate, the deputy leader of his party and a statutory member (but not by statute the vice-chairman) of the National Security Council. He is only a member of the Cabinet, let alone its acting chairman, by virtue of the President's invitation.

It is through his dignified acknowledgment of these limitations to his functions, at a moment when the whole nation turned instinctively to him, that Mr Nixon has grown in stature. One of Mr Eisenhower's earliest acts from his sick bed was to sign a letter confirming the Vice-President in the acting chairmanship of the Cabinet and of the National Security Council. The great unanswered question is whether Mr Eisenhower will go further and ask the Republicans to accept Mr Nixon as his heir in the leadership of the party.

★

At a time when the Republicans thought that their 1956 national convention would be merely a rally to demonstrate their loyalty to Mr Eisenhower, they fixed it for a later date than usual, August 20th, in San Francisco. They have decided to stick to this plan, which means that Mr Nixon's popularity will be exposed for ten months to the hard assessment of the professionals. According to a Gallup poll, if all Americans of voting age had to register, 54,300,000 would do so as Democrats, while only 34,300,000 would register as Republicans and 9,400,000 would prefer to be known as Independents. The Republican dilemma will become cruel if the polls go on showing that Mr Nixon is ahead of other regular contenders in his party but is failing to make any impression on the Democratic and Independent voters whose support he must have if he is to win. The clamour will then become great for a switch to a non-party national figure such as General Eisenhower was. But where is he to be found?

Simply because its prospects have been so dramatically revived, there has been a surge of life within the ranks of the Democratic party. Governor Harriman, who in his early sixties has suddenly discovered the joys of public applause and is beginning to wear his smile as if it belonged to him, although still "for" Mr Stevenson, has made it clear that he is not "morally committed" to him. Mr De Sapio, the leader of the Democratic machine in New York, is working night and day to promote the

Governor's chances and last week ex-President Truman gave Mr Harriman an indication of his favour. But Mr Harriman's mounting availability, which looks so impressive in the New York newspapers, does not seem to be lighting Democratic beacons in other parts of the country.

Mr Stevenson's first great test is to come on or shortly before November 19th, when he will formally announce his candidature, amid a spate of carefully planted articles in the press. Whatever his past reluctance, Mr Stevenson has planned a thorough-going effort now. His supporters and rivals alike will be watching the reaction. Above all it will be of crucial interest to the Democrats' third man, Senator Kefauver of Tennessee, whose main strength in 1952 lay in those states where there is some degree of popular election of the delegates to the party conventions, as opposed to those where the decision lies mainly in the hands of party officials.

With the choice of both parties wide open, some of these trial runs in the primary elections will be of great importance. Governor Harriman can say he is too busy governing the State of New York to campaign in the New Hampshire primary, the earliest of the series, which takes place in March, but Mr Stevenson lacks that excuse. If he does compete and is beaten by Senator Kefauver, who won easily in New Hampshire in 1952, his prestige will be damaged. As for Mr Nixon, he is already in trouble in his own State of California; there the Republican Governor, Mr Knight, has made it excessively clear that he will spare no effort to ensure that the California delegation to the convention is not committed in advance to the Vice-President.

Hard Times for Mr Dulles

FOREIGN affairs wait for no man and President Eisenhower's inactivity is coinciding with unexpectedly difficult days for American and western diplomacy. The President has dictated a preliminary reply to Marshal Bulganin's note on disarmament, but the Russian answer to Mr Eisenhower's "atoms for peace" proposals has not yet been considered. Mr Dulles has said that only in the case of an emergency would he or his colleagues feel entitled to draft replies involving "questions of high national policy" without the President's direct supervision. Moreover, there can be no doubt that Mr Eisenhower's illness has made Mr Dulles's role at the coming Geneva talks a difficult and limited one; in his short chat in Denver this week, Mr Dulles outlined his latest proposals for the conference, and the general lines of policy had been settled before Mr Eisenhower's heart attack. Nevertheless, Mr Dulles knows that without the President's personal backing in Washington he can do nothing very new.

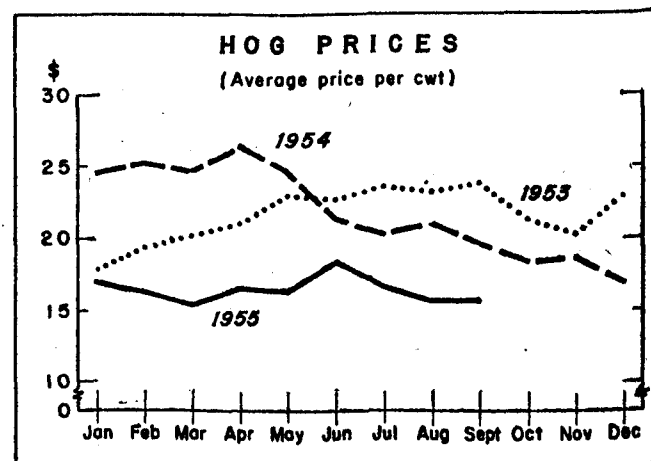
But direct relations with the Soviet Union are not the State Department's sole, or even its most urgent, worry at the moment. Public opinion in the United States has been jolted by the announcement of the sale of Czechoslovak arms to Egypt and by the sudden increase of Soviet activity in the Middle East. The quick trip to Cairo of Mr George Allen, Assistant Secretary of State, has merely confirmed the impression that the West was caught badly off guard. Two other Mediterranean problems are also

proving particularly intractable during this period of political uncertainty: the situation in North Africa, with its effect on France and the United Nations, and the Cyprus question. Several Congressmen and commentators are saying angrily that France's defeat in the United Nations and its walk-out could have been avoided had Mr Cabot Lodge made American sympathies clearer and marshalled the necessary support. As to Cyprus, Mr Dulles has pointed out that the resulting antagonism between Greece and Turkey is jeopardising Nato's Balkan flank and threatening to break the system of alliances so carefully built up during the days of the Truman Administration.

In the President's absence, Mr Dulles is doing his best to prepare public opinion for the probable lack of results at Geneva and for further diplomatic difficulties with Russia. Despite Mr Stassen's confident assertion that "the major powers will move to a well-inspected, soundly controlled agreement" on disarmament, many observers feel that, if anything, the rhythm of the cold war may be intensified again. Mr Dulles knows that if this should prove to be true it will be his ungrateful task to say so; from President Eisenhower's lips the words would sound less dry.

Pigs Out of Clover

AS hog prices fell last week to the lowest levels since 1946, the Secretary of Agriculture, Mr Benson, was naturally under pressure to introduce a price support programme in order to stop the rot. For the decline in receipts from the sale of hogs has been almost entirely responsible for the disturbing drop in farmers' incomes this year, at a time when everyone else's incomes have been going up; and commercial hog farming is concentrated in the mid-western states, centred around Iowa, where the farmers'



political allegiance is uncertain and which the Republicans must hold if they are to win next year's election. Mr Benson may begin to buy small quantities of pork for school lunches and other relief purposes; this might save hog prices from falling as much as now seems probable during the present autumn season of heavy marketings. But such a programme would be too limited to have any lasting effect; a similar scheme, initiated in 1953 to help cattle farmers was only of temporary benefit.

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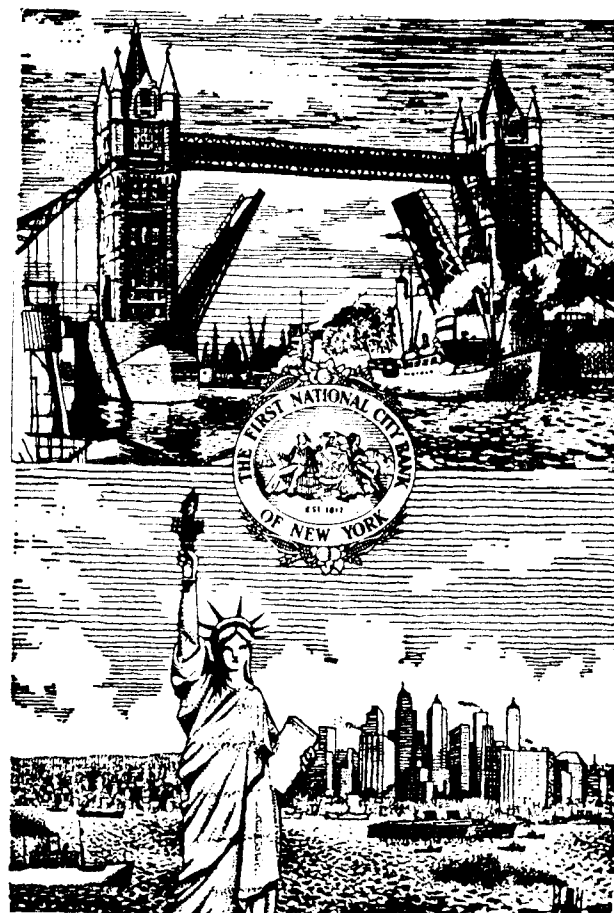
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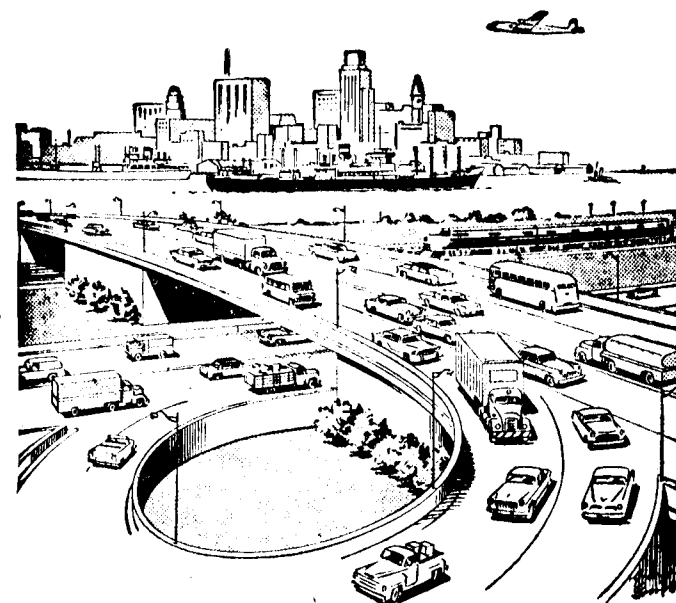
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A more far-reaching programme, already being advocated by the politicians, for government purchases of pork in large quantities for storage would not only lead to an expensive new surplus problem but would also, as the industry itself has pointed out to Mr Benson, encourage farmers to grow even more hogs. The present trouble is another illustration of the difficulty American agriculture is having in adjusting to the changing pattern of consumer demand, a difficulty which has been made stiffer by the government's attempts to keep prices from falling. The farmers bred extra hogs last spring in order to make up for the expected decline in their incomes from other cash crops such as wheat and cotton; this decline was coming as a result of the restrictions imposed on plantings by the government to reduce the cost of supporting prices. Furthermore, restrictions on plantings of maize apply only when the crop is sold; a farmer can grow as much maize as he likes to feed to his hogs and he is therefore now sending it to market on the hoof instead of by the bushel.

In consequence record quantities of pork are available but there are record numbers of people with record amounts of money in their pockets to buy it. If they were eating as much pork as they used to do, hog prices would hardly be falling as sharply as they are. Consumption of meat a head is going up, as it always does in times of prosperity, but it is consumption of beef. This is partly the result of an advertising campaign, undertaken by the beef industry when it was in difficulties two years ago; the pork industry is now thinking of taking a slice off the same joint. But the present preference for beef may arise in part from the move away from the farms and into the towns; pork is traditionally a country dish. It is also traditionally a southern dish and the change in eating habits seems to be equally related to another kind of population shift, the move away from the south and into the west, a beef region.

Too Few Volunteers

THE Geneva spirit and the attractions of civilian life in a booming economy are making it difficult for the American armed services to find enough men to meet their far-flung needs. For the first time since the second world war, the navy has had to resort to conscription; it plans to call up 10,000 men each month until it has obtained 56,000 new recruits. What especially worries naval leaders is the decline in re-enlistment among men who joined during the Korean war for a four-year period. Steps are therefore being taken to make naval life more attractive, particularly to married men and technicians. The army is also increasing its demands to about 13,000 men a month and the air force may have to turn to the draft if it cannot attain its authorised strength of 975,000 through voluntary enlistment.

It is hoped that the increase in the numbers being called up will help the army's new reserve programme to attain its target of 100,000 men. Under this scheme, youths aged 17 to 18½ can enroll for six months of active training followed by a 7½ year period in the reserve, with 48 weekly drills yearly and an annual seventeen-day summer camp; in this way they avoid the regular two-year period of active service. Instead of the 5,000 men the army had hoped to

begin with, however, only about 1,000 reported at the start of the new scheme. Unless enlistment grows, therefore, the army plans to ask Congress, which reconvenes in January, to give it legal authority to draft young men into the reserve. Congress previously refused to do so because this would allow universal military training, a traditional bogeyman, to "come in by the back door."

The lack of universal conscription, combined with the fluctuating needs of the armed forces, have made the draft a rather chaotic process. There are 3,920 local boards often acting as a law unto themselves; some can fill their monthly quotas without difficulty and take a liberal view of individual cases; others must scrape the barrel and are extremely severe in their methods. The result has been that some men in vital jobs and even with families have been drafted whereas others, often younger and less essentially employed, have gone uncalled. It is reported, however, that a number of steps will be taken in November to remedy this situation and to provide a younger contingent of conscripts. Men above 26 will probably be classified separately and called only in the last resort; fathers will be exempted wherever possible. Finally, men in important jobs will be urged to join the reserve programme even if they are over the 18 year age limit; in that way they can discharge their obligations on weekends and during summer holidays.

Squeeze on Housing

A CONGRESSIONAL sub-committee, holding hearings in various centres, is giving spokesmen for the building and real estate industries a chance, which they welcome, to criticise the recent official efforts to check housing loans. These efforts have included not only a general squeeze on credit, but also measures directed specifically at mortgage lending, such as the tightening of the terms allowed on mortgages guaranteed by government agencies. Such measures were begun some time ago, but the critics argue that they will not really begin to affect housing statistics until next year, because of the time lag between arranging mortgages and starting to build. Then, it is claimed, people will find that the government has not only squeezed mortgage lending more tightly than other types of borrowing, but has also curtailed home building to such an extent that the whole economy will suffer. The industry maintains that a chain reaction is being set off, which will appear later in a falling demand for the things which go into new houses—furniture, textiles, and electrical appliances.

The argument has just been reinforced by the figures for new contracts for residential construction, which in September were lower than in the same month of the previous year for the first time since the end of 1953; there seems little doubt that home building is at last beginning to taper off a little. But with total mortgage debt on houses now standing at over \$83 billion, compared with \$70 billion in the middle of 1954, it seems to be time for a check. The most recent official move, and the one which worries the building industry most, was in fact the outcome of the increase in the amounts people are borrowing compared with the amounts they are saving. In September

the Federal Home Loan Bank Board, which supervises credit for the country's 4,200 savings and loan associations, told them that the District Home Loan Banks could no longer supply funds for mortgage loans and that the associations would have to limit their lending for this purpose to funds obtained from new savings and repayments.

During the first half of this year these associations had lent nearly \$6 billion in mortgages, nearly 50 per cent more than in the corresponding period of 1954, while savings deposits had gone up by only \$300 million; the difference had been met by borrowing from the Home Loan Banks. Another inflationary lending practice, which is now being discouraged by Federal Reserve officials because it means that short-term credit is financing long-term investment, is the system of "mortgage warehousing." Under it lenders, insurance companies, for example, borrow money for mortgage loans from banks on the understanding the money will be repaid as soon as premiums and other payments come in to build up the lender's own funds. This type of credit has doubled in the past year; the argument in favour of it is that it smooths out the ups and downs in mortgage loans and makes them a steadier economic influence.

Operation Vanguard

THE Defence Department has announced that the initial contract for the production of the artificial satellite, entitled Project Vanguard, has been awarded to the Glenn L. Martin Company of Baltimore. This company will be responsible for the actual rocket-launching vehicle; it has made a subcontract with the General Electric Company for the rocket motor. Other firms are expected to take part in building the satellite itself and the rockets which will carry it and fire it into space. It has also been revealed, moreover, that American plans for participation in the International Geophysical Year, July, 1957, to December, 1958, call for the launching of about ten artificial moons in different altitudes and orbits. Whether these will be equipped with recording instruments, or whether they will serve primarily as targets for observation from the earth, remains to be seen. The main problem appears to be the enormous heat that may develop inside the satellite, thus making it impossible for sensitive instruments to operate. Nothing should re-assure the Russians more regarding the romantic nature of the whole project than the fact that it will probably be launched from the Banana River in Florida.

★

One further development last week suggests that the world of science fiction is moving nearer. The first telephone ever operated with solar power was inaugurated near Americus, in Georgia. A thin slab of aluminium, containing 432 silicon disks, transforms sunlight into electricity. It is connected to a battery which stores surplus power for use during the night and in murky weather. Built by the Bell Telephone Company, this solar generator is expected to prove of great value in underdeveloped areas where sunshine is abundant but where electricity plants and conventional fuels are lacking.

Chemicals on the Farm

FROM A CORRESPONDENT IN CALIFORNIA

CHEMICAL fertilisation is an agricultural practice about which American farmers long held reservations, if not outright suspicions; but in recent years it has enjoyed an impressive increase in popularity in the United States. Consumption of the three principal plant nutrients—nitrogen, phosphorus pentoxide and potassium oxide—which go into commercial fertilisers has grown from 2,500,000 tons in 1944 to 5,800,000 tons in 1954. Developing first on the newer, irrigated farms of the far west, the use of agricultural chemicals on a large scale has now swept into the cotton lands of the deep south and most recently into the mid-western maize belt, where artificial fertilisers were once generally considered poisonous. In 1954 alone, farmers in Iowa, the leading maize state, raised their consumption of fertilisers by 50 per cent.

The long range reason for the resort to chemical fertilisers is the closing of the frontier and the pressure of a still-increasing population on the limited land available. Between 1920 and 1950, farm acreage in the United States increased less than 2 per cent, but production of farm crops, going up by 87 per cent, more than kept pace with population. While mechanisation and improved methods of cultivation and insect control undoubtedly contributed to the rise in output per acre, an increase of 360 per cent in the use of fertilisers during the period was the most important single factor. A more immediate incentive to greater fertilisation has come from the fall in farm prices and from the government's agricultural programmes which impose restrictions on acreage rather than on output; both tempt farmers to do all they can to increase yields per acre. Ironically, the Agriculture Department, which administers the programmes designed to limit crops, has also provided much of the knowledge, experimental research and advice which have promoted higher yields by means of fertilisation.

To these pressures another formidable one has been added: the sales promotion activities of the companies, some of them among the largest in the country, which have entered the agricultural chemical field. By spending over \$1 billion a year on fertilisers, the American farmer has caught the eye not only of the long-established chemical undertakings, but also of a dozen oil firms, several steel makers, two electrical utility companies, a coal company, a farm equipment manufacturer and a steamship line, as well as several newly organised businesses, all of which are now making fertilisers. The considerable resources, financial and technical, of these companies and the sharp competition in the industry have produced an almost bewildering array of products and processes.

The basic economic requirement for a fertiliser is that its cost to the farmer must be less than the increase in crop value resulting from its use. This has meant not only that manufacturers of fertilisers have sought to reduce their basic costs of production, but also that their products have contained increasingly higher proportions of nutrients (to save transport charges) and have required increasingly smaller amounts of labour to apply.

The greatest expansion in the field of agricultural chemicals has been, and continues to be, in ammonia,



PROGRESS IN ELECTRONICS

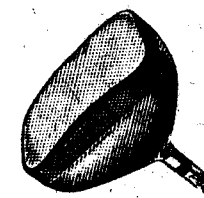
The wonder of television is already lost to the millions who see and hear in their own homes events which may be occurring hundreds of miles away. It is already an accepted part of our lives, to be judged and debated not on its technical qualities, but on its value as an entertainment and its influence on our culture.

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which is made by taking nitrogen from the air and combining it with hydrogen. American capacity for making ammonia increased ten-fold between 1939 and 1954 and is expected to be almost redoubled by 1957. Ammonia is the basic ingredient of most nitrate fertilisers, but the recent expansion is the result of an ingenious development which allows the pure liquid or "anhydrous" ammonia itself to be applied directly to fields. Thus the cheapest and most concentrated form of nitrogen (the nutrient content is 80 per cent, compared with an average of 25 per cent for all commercial fertilisers) is put into the soil with a minimum of the expense of transport, handling and application which is involved where ordinary solid fertilisers are used. Under this system, ammonia is sent in pressurised tanks from the producing plants to distribution stations where it is stored in huge spheres. Transferred to smaller tanks which are pulled through the fields by tractors, the liquid flows under pressure into the earth through tubes mounted behind blades which cut the soil to a depth of four to six inches. A disc cultivator immediately covers the ammonia (which becomes a gas upon its release from pressure) with earth before it can escape into the air. In 1954 this anhydrous ammonia was the source of 20 per cent of the fertiliser nitrogen used in the country.

In the far west, where anhydrous ammonia was first employed, an even newer method of applying nitrogen is showing impressive gains. This is an aqueous solution containing 25 per cent of ammonia, which can be injected into the soil in much the same manner as anhydrous ammonia or, even more simply, introduced into irrigation water which is sprinkled or allowed to flow on to fields. A further advantage over anhydrous ammonia is that such "aqua ammonia" does not require any considerable investment in equipment for storage and application. Its chief disadvantage is the cost of transporting the water in which the nutrient is carried, but this is minimised by the establishment of distribution stations to which pure ammonia is brought, released into water and then taken to nearby fields by lorry.

Another and potentially very great attraction of aqua ammonia is that other plant nutrients can be added to the solution. Several firms are already selling a mixture of ammonia and phosphoric acid in water, thus providing nitrogen and phosphorus at once. Phosphoric acid, which as a highly-concentrated liquid fertiliser offers the same advantages as does anhydrous ammonia, likewise required expensive distributing equipment made of stainless steel, because of its high corrosive powers. However, since an ammonia-phosphoric acid solution in certain ratios is chemically neutral, such mixtures can be handled in the equipment used for aqua ammonia. The possibility of adding further ingredients to such solutions may lead to liquid fertilisers made to order, with local dealers mixing them according to the individual requirements of each farmer's fields and crops. These fertilisers would contain the basic plant nutrients and also special elements and minerals which are often needed, but not economically available, in minute quantities.

Such mixtures are abundantly available, of course, in the conventional solid fertilisers which still account for the largest part of American consumption. But here, too, new products are reflecting the trend to more highly concentrated and more easily handled fertilisers. For example, one of the steel producing companies which has long

marketed a by-product of its coke ovens, ammonium sulphate, as a fertiliser, is changing over to diammonium phosphate, which contains 74 per cent of nutrients against only 20 per cent in the old compound. Similarly, many producers of "super-phosphate," the most widely used fertiliser in the country, are turning from this crude, bulky product (made of crushed phosphate rock treated with sulphuric acid) to "triple superphosphate," which contains a much greater proportion of nutrients. To make handling easier, fertiliser makers are now "pelletising" their products, so that they are granular instead of powdery. This is of particular value to the growing number of American farms on which aircraft are becoming important agricultural implements. Granular fertilisers, which can be dropped on to fields from the air with little disturbance by the wind, are widely used on rice fields and large acreages of pastureland, where ground application is impossible or prohibitively expensive.

SHORTER NOTES

The Office of Defence Mobilisation has now restored the eligibility of eleven industries for the tax privileges designed to encourage expansion needed for defence purposes; among the industries which may once more apply for permission for fast depreciation allowances are commercial aircraft, railway goods wagons and petroleum. A number of industries directly related to defence were never affected by the suspension, but 25 industries have now been denied this help permanently, on the grounds that their facilities are adequate for all expected wartime needs.

★

The Hoover Commission on the Organisation of the Executive Branch of the Government practised what it preached—economy. When it finally finished work at the end of September it returned \$83,000 in unspent funds to the Treasury.

★

The Secretary of the Navy, admittedly using his common sense, has over-ruled a special board which decided that a naval commission must be denied to a young merchant marine officer, Mr Eugene Landy, because his mother was once a member of the Communist party. The Secretary said that to disqualify Mr Landy would be contrary to one of the fundamental principles of the American way of life—the opportunity given to each individual to succeed on his own merits.

★

The latest report from the Public Health Service on the effectiveness of the Salk vaccine against poliomyelitis suggests that the number of cases of the disease found among vaccinated children was from 25 to 50 per cent less, and that the illness was much less severe, than among unvaccinated children.

The World Overseas

Arab Welcome to Arms

FROM OUR CORRESPONDENT IN CAIRO

COLONEL NASSER has bought Czech arms and the hearts of the Arabs at the same time. If there are some elder statesmen in the Middle East who mutter their private fears about the Egyptian deal, they are compelled in public to applaud this act of Arab independence. To their peoples, the deal seems wise, brave and praiseworthy—and it cocks a welcome snook at both Israel and the West.

The hallelujah chorus reflects the abiding lack of faith in western policy. The Arabs have never believed that they could trust the Tripartite Declaration to protect them against Israel and, as they incline to believe the almost unanimous opinion of the world press that Israel could win in a straight fight at any time, they cannot see the justice of a western rationing of arms as between Arab and Jew that perpetuates this Arab inferiority. (They are so busy reckoning in terms of arms and effectives that they forget the advantage Israel enjoys through unity of command.)

The Tripartite Declaration guaranteeing the frontiers of the Middle East depended on voluntary rationing of arms, and Colonel Nasser has now destroyed this basis. The crux of his argument rests on his contention that Israel has not been party to it, and, if this is true, the western powers have had their heads in the sand. They could not forever control the supply of arms to the Middle East because they had not a monopoly of them; and the Iron Curtain countries have for some time given evidence in the Middle East of surpluses available from Korea and the reduced garrisons of Europe. The very fact that Nasser was thinking about getting arms from Russia was sufficient warning, however confusing some of his statements on this subject may have been. Experience has shown that he bluffs only when he is willing to have his bluff called. He is like a barque which tacks laboriously towards a few harbour lights it clearly sees. And he clearly saw that it was illogical for western observers to repeat so often that Israel was the military superior of Egypt while the West conducted an arms policy based on the assumption of equality.

Nor did he believe there could ever be an understanding with Israel as long as the Arabs were in an inferior position. He would argue that the Tripartite Declaration, in helping to preserve an uneasy truce by perpetuating the inferiority of the Arabs, must hinder the western powers in their search for an Arab-Israeli peace and in the long run strengthen

the threat of Israeli aggression. It is, therefore, not surprising that he has pulled a prop from beneath western policy.

There are manifest dangers in his present position. However unsatisfactory the Tripartite Declaration may be to the Arabs, it did help to cement the shaky joints of the Middle East. According to reports reaching here, Israeli "activists" are arguing that, as Egypt has "wrecked" the policy based on the Declaration, this is a suitable moment to launch a war. There is nothing now to fear, they are reported to say, but the pious displeasure of the United Nations. A moment at which Britain and the United States are re-thinking their policies and France is at daggers drawn with Egypt is certainly an awkward hiatus.

Diplomats here are doing their re-thinking more tranquilly than did London and Washington when the arms deal was first announced. It is evident that a slightly happier view of Nasser's intentions is now taken, even though his ability to fulfil them is doubted. The problem is the same: to preserve peace between Israel and its neighbours. In addition, there is the need to plug the hole through which Egypt has given entry to Russian-controlled elements.

The consternation shown by Washington in particular has strengthened Colonel Nasser in the Arab world, but the Arab Foreign Ministers, who met last weekend in the Council of the Arab League at Cairo, are naturally anxious to know what happens now if Israel attacks. Their anxieties cannot be publicly expressed because of the welcome given to Nasser's action by the Arab peoples.

Yet western policy may well gain by the enhanced prestige of the Egyptian leader, for it is notoriously easier to deal with an Egyptian speaking from strength than with one speaking from weakness. His influence had been undermined by the Sudan situation, by the Turco-Iraqi agreement, and by the wearisome and incomprehensible double-talk about the Saudi-Syrian-Egyptian pact. Now, riding upon the tide of Arab good opinion, he is able to escape many of the frustrations of policy he has suffered this year. One of the signs that he is inclined to do so was his cordiality when the young Iraqi Foreign Minister, El-Sayed Burhan Bashayan, paid a courtesy call at the Presidency; he could afford to be forgiving now that Egypt's prestige within the Arab world is revitalised.

Nasser is realist enough to know the importance of Iraq, and when he met Bashayan he hoped that the two

countries could forget their recent anger. Whether he now feels sufficiently restored to forget about his proposed pact with Saudi Arabia and Syria is not clear. (Saudi Arabia will certainly work hard for its completion, if only to keep Iraq at arm's length from Egypt.) At any rate, if Egypt and Iraq can reach partial understanding which prevents their clashing at almost every stage of policy in the area, the situation in the Middle East will improve from a western point of view.

The concurrence of Egypt and Iraq is necessary for the success of western policy in the Middle East, including policy on Israel. Apart, they undermine each other. Together, they give the Arabs much greater bargaining power but make it reasonably certain that a bargain can be entered into and kept. If, therefore, the meeting of the Arab League can be made to mark the beginning of the end of the acute dissension which stemmed from the Turco-Iraqi agreement, the foundations of western policy in the Middle East will not be so weakened as the Czech arms deal would at first sight imply.

Fission Over Peaceful Atoms

FROM OUR UNITED NATIONS CORRESPONDENT

SEEKING, by a change of course, to find a haven from recurrent "anti-colonial" storms, the political committee of the United Nations Assembly began last week to discuss the peaceful use of atomic energy—only to find that even pacific atomic waters are not immune from squalls. There are two proposals under discussion. The first of these—to hold a second international conference in about three years' time—is assured of plain sailing. The first conference, held at Geneva in August, was such a success that delegates can now only vie with each other in enthusiastic support for its successor. But when the committee began to discuss the creation of an international atomic energy agency it found that the water had already become uncomfortably choppy. Since President Eisenhower first suggested an international "atomic pool" in a dramatic speech to the Assembly nearly two years ago, his proposals have turned full circle. By last autumn, when further details were sought from the American delegation, it appeared that the concept of a pool had been whittled down into a clearing house for bilateral agreements between member countries. There is little doubt that the Americans still at heart prefer directly executed bilateral agreements rather than an international agency over which they would have a more tenuous influence. But so critical was the reaction in the United Nations to the apparent American retreat from President Eisenhower's imaginative proposal that the atomic pool has now reappeared dressed in most of its original clothes.

The draft charter, circulated last August to all 84 states that belong to the United Nations or its specialised agencies (Unesco, the ILO and so on), has now been made public. It provides for an international agency with three main functions: to encourage, by mutual assistance, research on and the development of peaceful uses of atomic energy; to receive and allocate nuclear materials for peaceful purposes; and to promote the interchange of technical information.

It must also, of course, have the power to ensure that any assistance granted is used solely for peaceful purposes. The initial membership of the atomic agency would be open to all members of Uno or its specialised agencies. Its policy would be directed by a board of governors representing sixteen nations—the five most important contributors of technical assistance and fissionable materials (initially Canada, France, Britain, the United States and Russia—if it joins); five leading producers of uranium and thorium (initially Australia, Belgium, Czechoslovakia, Portugal and South Africa); and six others selected mainly from countries receiving assistance, with an eye also to the geographical balance of the entire board. Members could either give or sell nuclear materials to the agency. Policy decisions by the governors would be taken by majority vote, without veto, and no donor would have the right to stipulate the manner in which its contribution be used.

It is over the constitution of the board that the agency's sponsors have run into their first squall. Led by India, the atomic "have-nots" are showing their resentment at what they see as a *fait accompli* by the "club" of eight western "atomic powers"—the United States, Britain, France, Canada, Portugal, South Africa, Australia and Belgium—that drew up the draft charter. After the first year, the board itself is to designate the five most advanced atomic powers, and the eight most important producers of raw materials (of which five are to be selected for membership, by a vote of the 13 designees). There is in this arrangement a little "built-in flexibility." India itself, for example, if Mr Krishna Menon's claim that his country is the largest thorium producer in the world can be substantiated, could hope to secure a place as a producer. But the majority of the board, in effect, would be self-perpetuating. All that is left for the atomic "have-nots" is the opportunity to compete for a minority of six seats. Many Asian, African and Latin American countries want the constitution of the agency to be decided by the Assembly itself, where they are already tasting the sweet power of the majority vote. They also want a closer relationship between the agency and Uno than is implied by leaving this relationship to be negotiated by its board. And they are disappointed that the agency is to sell, and not lend, materials and equipment to users who may find the terms of payment too dear. Also rather hurt at their exclusion from the "club" are the Scandinavian countries, supported, at least in spirit, by the Secretary-General, whose close interest in the subject is given little recognition by the vague relationship of the agency to his own secretariat.

Reluctant Russians

Another important question is whether the Russians will join the agency. Marshal Bulganin said at Geneva that the Soviet Union would contribute nuclear materials to "an agency" if and when agreement on its charter could be reached. When the Russians recently sent the United States their "suggestions" about the draft charter, the Americans seemed encouraged by the conciliatory terms of the reply. But on Tuesday Mr Kuznetsov revealed that the Russians, were they to join, would insist on introducing the veto power by placing the agency under the Security Council. They also, evidently with an eye on Communist China, reject the idea that the initial membership of the agency should be limited to members of the

UN and the specialised agencies. If the Russians refuse to join, an effective agency can still be set up; it could also be set up by the "atomic powers" without regard to the wishes of the majority of UN members, retaining only a weak link with the world organisation. But if its original objectives are to be realised, as technical assistance programmes in non-nuclear fields have already made abundantly clear, the underdeveloped countries may need to have a larger part in guiding its policy.

Japan's Patchwork Socialists

FROM OUR CORRESPONDENT IN TOKYO

JAPAN now has a Socialist party—or so it is announced. After a year of word-splitting and circle-squaring, the left and right wings have managed to paper themselves together. There is a decent agreement to ignore the cracks still showing plainly in the united front, and to applaud, with slightly forced *banzais*, the spectacle of the tough Mr Mosaburo Suzuki, the former left-wing leader, and the gentle Mr Jotaro Kawakami, the former right-wing leader, unfurling, arm in arm, the pale pink flag of new-found Socialist unity.

The left wing, which has 89 members in the lower house of the Diet, compared with the right wing's 67, appears on the surface to have yielded most concessions to secure the merger. This complaint is made angrily by Sohyo (the anti-American trade union council). Conversely, Zenro (the anti-Communist union congress) complains, just as angrily, that the right wing made too many concessions to the left. This dispute between the still-sundered trade unionists, although it may suggest that a reasonable bargain was struck, is a poor omen for the durability of the Socialist merger. And if silence temporarily muffles the extremists of the left wing, no one can pretend that this sullen harmony will continue—especially if the new party, taking advantage of the conservative disunity, manages to scramble into office.

The most significant concession by the left wing has been the quiet dropping of the old "no-arms-at-all" pledge. Both factions are opposed to rearmament in principle, in the same way as they are opposed to capitalist corruption and sin; but the confused right-wing argument—that maintenance of a small defence force, even if of such a small size as to be worse than useless, is unavoidable—has been adopted as a hollow plank on the new party's platform. It would be foolish to believe that the strong pacifist bloc in the left wing has swallowed its previous implacable objections to any form of rearmament. Officially, however, absolute opposition to Japanese rearmament has now disappeared from the policies of all the major parties.

Some agile exercises in the higher semantics were needed to arrange a common front towards America, Russia and Communist China. The former right-wing manifesto had read that "Japan is an independent country, although her independence is incomplete," and was dedicated to "completion of independence." The left wing has always insisted that "Japan is a subordinate nation to America" and demanded "achievement of independence." The merger compromise reads: "Japan has failed to achieve her independence, due to military and economic pressure

by the United States, although nominally she is an independent country." The right wing had demanded "a thorough review," and the left "complete abrogation," of the American-Japanese security treaty and administrative agreement. "Abrogation" has now been discreetly forgotten, in favour of a pleasantly equivocal "settlement, which will be concluded with the two big camps of the world, with due consideration to the collective security system."

Significantly, the embarrassing word "neutrality" appears nowhere in the joint manifesto, but the need for friendlier relations with "Asian nations affiliated neither with the Russian nor American camps" is strongly emphasised. And the right wing have discarded their original declaration that "Japan belongs to the free nations as the result of the San Francisco peace treaty." The new party adheres piously to the same Rotarian hope, which the Prime Minister, Mr Hatoyama, blandly wrested from them at the last elections, that Japan can miraculously develop and enjoy the happiest and most rewarding relations at all times with both the Communists and the West. Chiang Kai-shek has been overlooked altogether, but "a high-level parley between Japan and Communist China" is earnestly sought "to settle all pending issues."

The delicate problem of leadership has been solved, in Japanese fashion, by adding extra wheels to the executive rickshaw. Mr Suzuki, who steadfastly denies membership of the Communist party, has become "chairman of the Socialist central executive committee." Mr Kawakami, a Christian, scholar and amiable old-style Fabian, has been hoisted into the giddy position of "supreme adviser" to the party, although it is unkindly suggested that Mr Hiroo Wada, a brilliant left-wing strategist, will—again, in Japanese fashion—exercise more power as a simple "adviser" to the party. The undistinguished right-wing veteran, Mr Inejiro Asanuma, fills the position of "secretary-general of the executive committee."

Tugs from the Left

The Communist party, which has already infiltrated deeply into Sohyo, and which is pledged to virtually the same policy as the former left-wing Socialists, is in an admirable position to make trouble among their more disgruntled members. Or, more astutely, the Communists can work through local Socialist organisations to promote the ascendancy of the left-wing bloc and the revival of the old leftist line, which harmonises perfectly with their own open policy under the new Communist line of "proper democratic processes." There is no evidence that the comrades are dismayed by the resolute pronouncement of the new Socialist party to "fight Communism equally with imperialism and capitalism." They have noted with satisfaction the harassed reply by Mr Yoshimichi Ito, chairman of the left-wing policy committee, to militant hecklers: "This reference concerns only the activities of the Japanese Communist Party. We criticise the Communist party but we are not anti-Communist."

The most disinterested aid and comfort received by the Socialist party at present comes from the conservatives, who are still struggling and conspiring vainly to achieve a merger that, without a strong and dynamic leader, can hardly hope to achieve even the ramshackle unity of the Socialists. The Socialists are still neglecting sources of potential support in farming areas. The strong and able Mr Suehiro Nishio, an influential right-wing member, who

is at present under a cloud as the result of unproven scandal charges, said incisively in a recent private conversation: "We Socialists will not become a real party until our representatives live among the people and make themselves a humble part of local communal life, instead of rushing off after their election to live in Tokyo and wear the same striped trousers as the conservatives." The Japanese Communists certainly do not make this mistake.

Away from Stakhanovism?

THE Soviet leaders may soon be taking another important step away from the path traced by Stalin. They are apparently preparing a general overhaul of the wage system consecrated by nearly a quarter of a century of Stalinist practice. A special manpower and wage commission, headed by Mr Kaganovich, was set up earlier this year, and the scope of its intended action may be gathered from articles now being published in Soviet economic periodicals. The projected reform should involve not only the simplification and raising of existing production norms as part of a great drive for higher productivity; it should also bring about a flattening of the steeply graduated system of piece-rates, a reduction of cash rewards and, generally, of the bias in favour of shock workers. In other words, it should mark a first breach in the pattern of wage-differentiation raised to a myth under Stalin.

The Socialist principle "to each according to his needs" could not survive for long in face of the problems involved in industrialising primitive Russia. The transformation of backward peasants into industrial workers laid the foundations for a system of incentives which rapidly spread throughout the Soviet economy. From necessity Stalin made a virtue. The very idea of equality—the *uravnilovka*—was soon branded as a dangerous heresy. Record breakers were given not only higher wages and rewards in cash and kind; they were also granted social privileges and were raised to the status of a labour aristocracy. Some twenty years ago a miner, Alexiei Stakhanov, broke a record in coal extraction and gave his name to a whole movement which was intended to lead Russia on the road of industrial efficiency. Penalties for under-fulfilment of norms, together with rapidly rising rewards for their over-fulfilment, were the new Soviet order of the day.

Death of a Hero

The name of Stakhanov has now disappeared from the Soviet press, and the system which it symbolised has come under fire not on the grounds of ideology but for practical reasons of efficiency. It is cumbersome, it does not work and does not pay—according to *Voprosy Ekonomiki*, the journal of the Academy of Sciences. The scope of the piece-rate system, which already covers over three-quarters of Russian workers, is to stay and even to be extended, but there is no longer felt to be any need to raise steeply the wage-curve above the norm. The spread of technical education has apparently rendered obsolete a method which was useful as long as skill was at such a premium. Thus, for instance, the proportion of skilled workers in the engineering industry now amounts to nearly three-quarters,

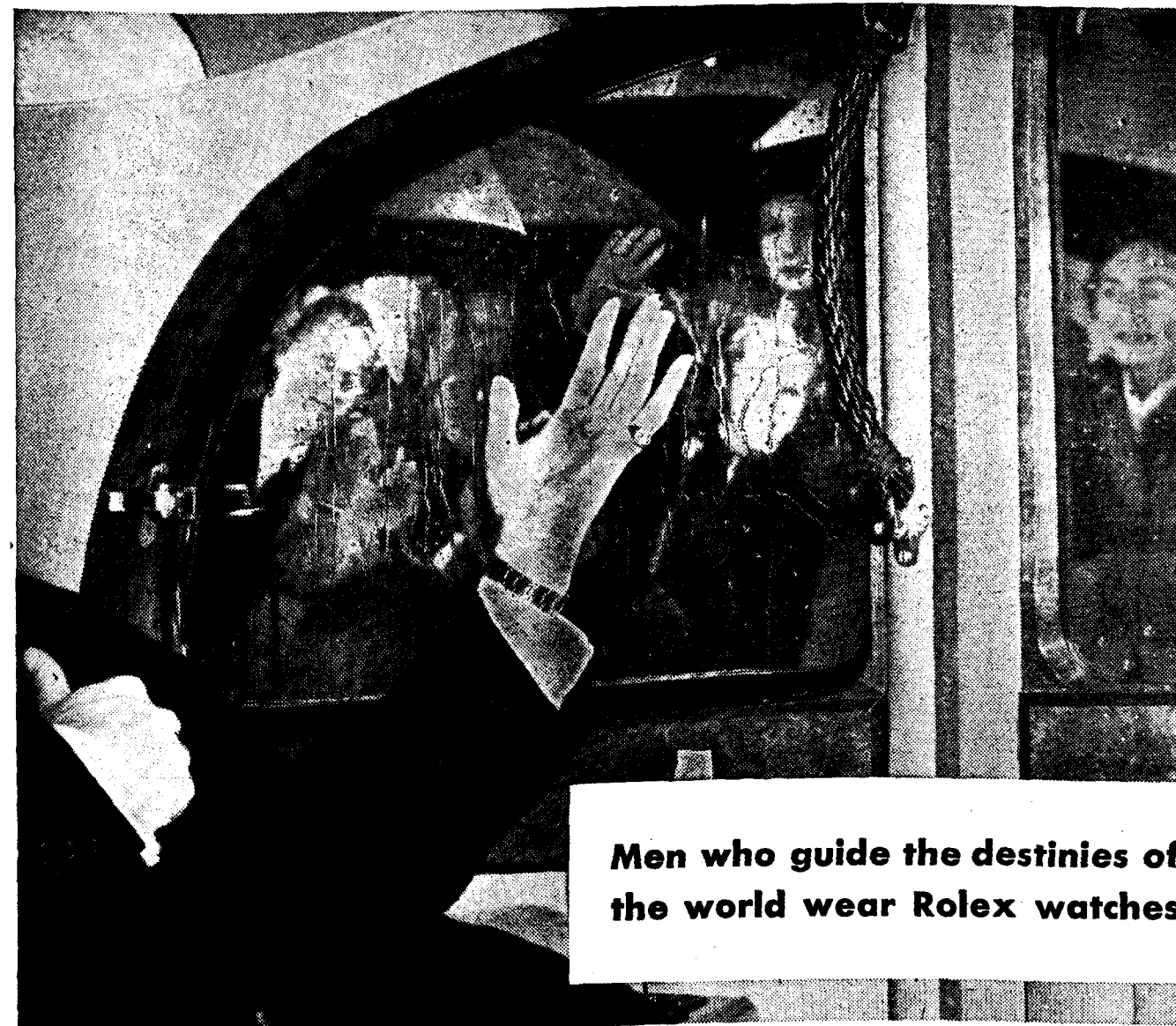
compared with less than a quarter in 1930. Ordinary piece-rates should prove enough to increase the productivity of these qualified workers. The article also attacks the system of cash rewards, which are either too low to act as an incentive or too costly to be worth while. Rising all-round productivity, rather than individual exploits in record-breaking, is now the goal. Indeed, in this attack on undue differentiation, even the principle of special regional rates (favouring particularly the east) is questioned.

Another feature of the intended reform will be welcome to Russian workers: the simplification of existing scales, which, through their complexity, have become a nightmarish puzzle for the average workman. Thus, for example, in the tractor industry there are 70 scales covering 103 rates; and in the Magnitogorsk combine 26 scales involving 232 rates. This state of things is now criticised as engendering bureaucratic waste and workers' discontent. Unfortunately, the necessary simplification is to be accompanied by the raising of production norms. This is part and parcel of the general programme for higher productivity which is to be the main feature of the forthcoming five-year plan. In this way the planners want to combat the growing danger of inflation. It has often been pointed out in these columns that Stalin's successors pledged themselves to raise rapidly the standard of life of the population, but disappointing agricultural results and, above all, the switch back to heavy industry seem to have caused a discrepancy between the released purchasing power and the available consumer goods. This inflationary threat is now admitted by no less an authority than *Pravda*: "A faulty ratio in the rate of growth of productivity and wages may upset the objectively necessary proportions between production and consumption, between the quantity of goods and that of money in circulation. This may finally lead to difficulties in supply, to the devaluation of the rouble and to a fall in wages."

Pride and Privileges

Raised norms are only a thinly disguised way of reducing wages. The workers will have to produce much more if the government is to keep its pledge. It is not astonishing that Mr Kaganovich's commission is trying out its ideas in specialised publications with a small circulation. This is particularly necessary since those features of the reform likely to have a popular appeal—above all, its "egalitarian" tendencies—are bound to provoke the wrath of powerful vested interests, of the entrenched workers' elite created under Stalinism. This labour aristocracy has strong ties with factory managers or local party dignitaries and will certainly resist this first encroachment on its privileges.

It is significant that these timid attempts to alter existing labour policy coincide with an eclipse of the official trade union leader, Nikolai Shvernik. Mr Shvernik had been secretary of the unions during the struggle against egalitarianism and in the heyday of Stakhanovism. In 1944 he was rewarded with the chairmanship of the presidium of the Supreme Soviet, but on the morrow of Stalin's death he was posted back into the trade unions. It would be quite logical if the present modifications of Stakhanovism coincided with the further disgrace of one of its apostles. The labour aristocracy and its allies, however, may still hit back, and next year's Party congress may well be the stage for a dramatic struggle between the two points of view. Its outcome will have a vital effect not only on the economy of post-Stalinist Russia but also on the political scene.



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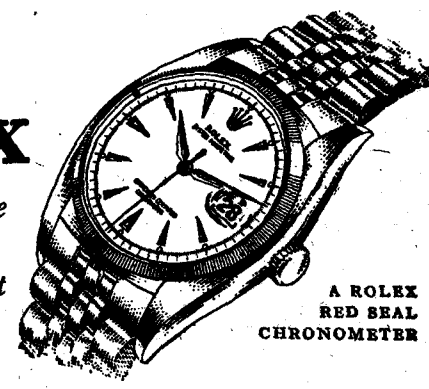
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Delhi Strikes at Managing Agents

FROM OUR CORRESPONDENT IN INDIA

IN 1696 in England there was passed an Act "to restrain the number and ill-practice of Brokers and Stock-jobbers"; in 1734 a further Act "to prevent the infamous practice of stock-jobbing." India's Companies Bill, which, after two patient years in parliament, should be ready for the president's assent by Christmas, might well have been entitled a bill "to restrain the number and ill-practice of managing agents." Had the back-benchers and the opposition had their way, it would have become a bill to prevent their "infamous practice" altogether.

The bill does not deal only with managing agents. It is largely based on the recommendations of a committee on company law reform which was appointed in 1950, and whose report drew heavily on the English Act of 1948; Indian company law has always been based on English law, from the very first Act of 1850, which followed the English Act of 1844. Much of the bill, therefore, is an attempt to protect shareholders and the public in a way that has aroused no controversy at all. Thus, prospectuses will have to give more details; balance sheets will have to make clear the whole position of the company—fixed assets, for example, are to be classified under ten headings, current assets under five; directors will retire at 65, unless the company resolves otherwise; private limited companies will have to register their balance sheets; a company which has raised money from the public will not be able to operate unless the public has subscribed the minimum amount.

None of these reforms is of major importance. Most of them are inspired by the idea that, if shareholders are to have any real control over directors and if the stock market is not to be manipulated by those with inside knowledge, as has occurred so often, shareholders must be told the full truth about what is happening to their companies. To this principle there is no real objection, though some of the provisions of the bill are unnecessarily detailed and cumbersome, and many directors may well feel uneasy about the penalties which carelessness without any fraudulent intent may bring upon them.

Abuse and Severity

But the heart of the storm which the bill has raised lies in its provisions about managing agencies. The managing agency is a specifically Indian institution, by which an individual or a firm promotes a company, helps finance it, provides it with management and consultant skills, and in return takes a commission on profits, or sometimes on sales. Without the managing agencies, Indian industry could not have been built up; and they were providing Indian business with professional managers when English business was still being run by sons and nephews. The managing agency system is, however, particularly susceptible to abuse. The managing agent can give sole selling agencies to his relations, and let the profits be made by the selling agency and not by the company. He can use the money of companies in which the public is largely interested to finance the operations of other companies he himself owns. He can

speculate in the market for his company's raw materials, and let the company bear the loss on speculations which go wrong. All this can happen, and during the years of war inflation and controls it often did happen. Some of the Marwari agency houses in particular have made the name of "managing agency" stink in the public's nostrils, until shareholders' associations as well as Socialists seem to have forgotten both that most of the agencies, Indian or British, are completely reputable and that, for most of Indian industry, there is still no alternative method of management.

The bill deals severely with managing agencies. Thus, their remuneration is limited to ten per cent of net profits; in a bad year when there are no profits, or few, the maximum will be £3,750 unless the government specifically permits a larger amount. The managing agent will not be able to issue debentures, or to invest the money of one managed company in another, or to borrow from the managed company, or to be a sole selling agent; in India he will not be able to make loans to anybody without a specific and tightly defined authorisation from the company's directors. And many of the disabilities which attach to him will attach also to his associates, defined to include a wide range of relations.

Moreover, it will not be possible to create or renew an agency without official sanction, which is to be given only if the government considers that the managing agent is proper, that the terms of the agreement are reasonable, that it is not against the public interest for the company to have an agent, and that the agent has fulfilled any conditions officially imposed upon him. Even if the agent gets through all those hoops an appointment may not be made for more than fifteen years, or a reappointment for more than ten. Moreover, all existing agency contracts are to expire on August 15, 1960; nobody will be allowed to be the managing agent of more than ten companies, and the government may notify any industry as being one in which agencies are not permitted.

Merge or Liquidate?

The list of restrictions, from which this is only a selection, is formidable. The income of many managing agencies will be halved or more than halved. The limitations placed upon them are sometimes crippling. Big agencies, if they cannot amalgamate their managed companies down to the number of ten, will have to let their weaker ones go. Amalgamations may mean fewer and stronger units, which will be all to the good; but the bill may equally mean a number of liquidations, which will be of advantage to no one.

However, if parliament's primary distrust is of managing agents, it has not shown much more confidence in directors. Nobody is to be a managing director of more than two companies; no managing director or whole-time director is to have his remuneration altered without government sanction. This is doubtless part of the campaign to reduce disparities of income. The powers and independence of auditors have been increased. The government may insist on board representation for an oppressed minority of shareholders, and may inspect the company on application of one-tenth of the shareholders, or if it thinks there has been managerial misconduct. The board may not even appoint sole selling agents except in general meetings.

The Companies Bill, in fact, puts the joint stock company and its management on trial. Everything they do must be done in full view of the world; the right of a company to

keep its affairs private is dead. In no circumstances must the company's management obtain any collateral advantage from its position; any sign that managing agents, in particular, are doing so will lead to the speedy abolition of the whole institution of managing agencies. Finally, and most dubiously, extra power in the hands of the government has been identified with extra protection for the public. A whole new department has been set up to administer the government's 82 separate powers, which will range from the approval of a change in the company's name to the amalgamation of two companies in the national interest. It will be needed.

The bill will result in a large diversion of India's best managerial time to reorganising at the very time when the second Five Year Plan is calling for expansion; but it was perhaps an inevitable sacrifice to what it is fashionable to call the "Avadi spirit," the spirit of equality at the lowest common denominator.

New Zealand's Credit Squeeze

FROM OUR CORRESPONDENT IN WELLINGTON

TWO successive increases in bank rate in July and September this year are clear evidence that New Zealand's National Party government is determined to make the money squeeze work. There is now no doubt that the country is facing a period of economic difficulties. Earlier, New Zealand importers, in response to the rise in national income stimulated by boom export conditions and the removal of a considerable number of import and exchange restrictions, had filled their shops wherever they could buy. But the prices of dairy products began to fall, and wool, though holding for a while, also began to cheapen; while the price of meat, which had been transferred to the open market, fluctuated widely.

The accumulated result has just been disclosed. New Zealand had a balance of payments deficit for the year ending March 31st of £38½ million, the highest for five years. The mood until some time after the general election in November, 1954, when Mr Holland's government was returned with a reduced majority, was one of buoyant optimism. The first warning of change came soon after the election when the New Zealand Reserve Bank, disturbed by increasing bank advances, increased the minimum reserve requirements of the trading banks. Since then there have been several turns of the same screw, reinforced with instructions to the trading banks to overhaul and cut down overdrafts wherever possible. Finally, bank rate was raised from 5 to 6 per cent, and from October 1st the reserve requirements were again raised. The money squeeze was on.

Mr Holland's new Minister of Finance, Mr Watts, did not go as far as Mr Menzies in refusing taxation reductions. He gave concessions totalling about £9½ million, but subsequently made it plain that the Reserve Bank was carrying out government policy in cutting back bank advances and that the process would continue until New Zealand could live within its overseas income.

At the moment the prospects of its doing so are remote. Import figures are still rising and, with the prospect that

wool prices will drop ten per cent compared with last season, overseas earnings may well be less. Mr Watts has already announced that motor vehicle imports, one of New Zealand's largest import items, will be cut by one-third next year.

There has been considerable criticism of the money squeeze on the general grounds that it was applied too late to check the present drift, that it is not sufficiently discriminatory and that it may damage production even more than it restricts imports. The trading banks, who are receiving the brunt of their customers' displeasure, may well feel that it should be referred to the Reserve Bank and the government.

Big Men and Small

The government, for its part, faces a difficult choice. If it returns to import controls, it will be accused of forgetting its election promises. If it decides to seek refuge in exchange manipulation, it will be accused of helping the farmers at the expense of other sections of the community. If it increases interest rates still further it will be accused of helping the "big man" at the expense of the small. If it tries to use tariffs, it may be in trouble with Gatt. With a current and continuous labour shortage, and an increasing drift to the towns, it has difficulties in stimulating export production.

Behind all the political problems there is the inescapable fact that New Zealand badly needs capital for development and to provide for an expanding population, that New Zealanders are saving less and investing less and that public capital works are absorbing a very large proportion of the money and labour available.

The unpalatable remedy, of course, is more work by the existing labour force. But when the government recently amended legislation to permit a greater extension of weekend trading, there was an immediate and very vigorous outcry by people who declared that this was an assault upon the 40-hour (closed weekend) week. The government will find it extremely difficult to force this issue.

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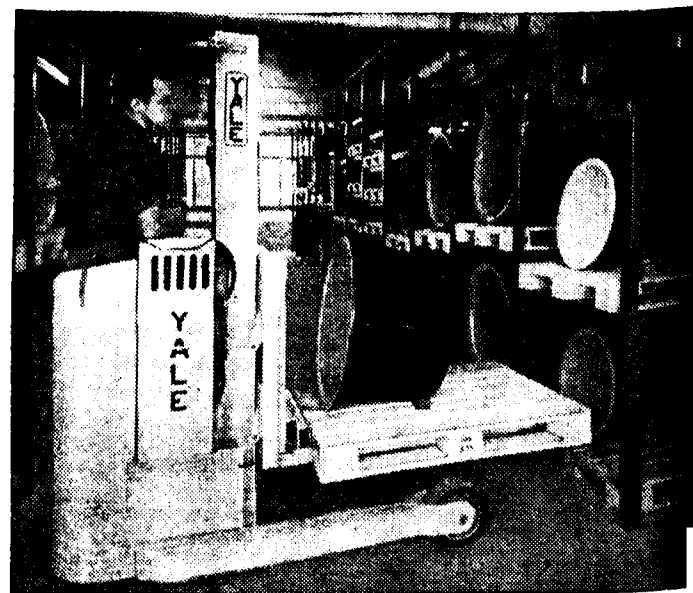
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THE BUSINESS WORLD

Barely a Balance

THE "small surplus" in the United Kingdom balance of payments that the Chancellor recently claimed for the first half of this year turns out to have been £17 million, but if defence aid of £33 million is excluded, as it must be, the out-turn for this period is a true deficit of £16 million. These are small residuals compared with the vast turnover of payments to which they refer and lie well within the limit of the inevitable "errors and omissions." If, therefore, it is claimed that in the first six months of 1955 the balance of payments about broke even that is a generalisation as safe as can be made with this imperfect product of the statisticians' art.

There are, however, two broad pointers that swamp any haggling over the size of the errors and omissions. The first is that the figures underline a grave deterioration in the balance of payments compared with a year ago. In the first half of 1954 Britain had a true surplus of £141 million; the deterioration since then is no less than £157 million. Secondly, the whole of that deterioration and more was suffered on account of trade with non-sterling countries. Britain's current payments surplus with the rest of the sterling area rose from £100 million in the first half of 1954 to £119 million in the first half of 1955; while the balance on non-sterling account, again excluding

defence aid, swung from a surplus of £41 million to a deficit of £135 million. The shift has been most marked and most damaging in the payments balance with the dollar area. The deficit of only £3 million in the first six months of 1954 has been swollen in the latest half-year to £110 million.

TABLE I
THE SWING INTO THE RED
(£ million)

	1954		1955
	Jan.-June	July-Dec.	Jan.-June
All Countries:			
Exports	1,424	1,392	1,531
Imports	1,471	1,536	1,667
Balance of trade	- 47	- 144	- 136
Net invisibles	+188	+139	+120
Current payments balance	+141	- 5	- 16
Balance after defence aid..	+165	+ 21	+ 17
Financed by			
Change in reserves	+179	- 92	- 29
Change in sterling liabilities	+ 89	- 6	- 68
Net investment (plus) or borrowing (minus)*	+ 75	+107	- 22

*Residual; includes errors and omissions.

Even after adding defence aid, Britain's current deficit with non-sterling countries reached £102 million in the half year. Yet the gold and dollar reserves fell by only £29 million, and—a reassuring surprise contained in the white paper,* total sterling liabilities, net of official holdings of non-dollar currencies, fell by £68 million, of which £51 million was in liabilities to non-sterling countries. The explanation is partly that Britain benefited from the proceeds of the net surplus of £71 million earned by the rest of the sterling area in its trade with third parties and partly that the net

inflow of capital to the United Kingdom from non-sterling countries has increased (from £17 million in the first half of 1954 and £32 million in the second half to £53 million in the first half of 1955), while the net outflow of capital from Britain to the sterling area has fallen (from £92 million to £31 million).

*UK Balance of Payments, 1946 to 1953, CMD 9585. HMSO. 2s. 6d.

On balance, therefore, Britain is shown to have been a net borrower, to the extent of £22 million, for the first time since 1947. But the significance of this display should not be exaggerated. The "investment and borrowing" item includes on the credit side an adjustment of about £100 million. This margin of

TABLE II
GOLD AND DOLLAR ACCOUNTS
(£ million)

	1953	1954		1955
	Year	Jan.- June	July Dec.	Jan.- June
Transactions with Dollar Area.				
<i>United Kingdom:</i>				
Imports (fob)	519	240	325	354
Exports (fob)	443	205	213	233
Invisibles (net)	- 39	+ 32	- 28	+ 11
Current balance	-115	- 3	-140	-110
Defence aid	+102	+ 24	+ 26	+ 33
Repayment of Govt. loans..	- 43	- 6	- 31	- 5
Other capital transactions..	+ 66	+ 34	+ 68	+ 17
UK net balance	+ 10	+ 49	- 77	- 65
<i>Rest of sterling area:</i>				
Dollar balance:				
UK Colonies	+101	+ 54	+ 47	+ 60
Other sterling countries	- 15	- 29	- 46	- 58
Gold sales in UK:				
UK Colonies	-	+ 3	+ 6	+ 5
Other sterling countries	+ 79	+ 64	+ 66	+ 77
Total RSA net credit	+165	+ 92	+ 73	+ 84
Transactions with non-dollar areas	+ 65	+ 38	- 88	- 48
Net change in gold reserves	+240	+179	- 92	- 29

error, greatly exceeding the final outcome of the whole calculation could easily relate to unidentified receipts that really hide a current surplus and are not a true inflow of foreign capital. Some foreign capital may have been beckoned in by the relatively high interest rates that London offered towards the end of the period but the amount is unlikely to have been large, for it is officially stated that there was little net movement of recorded capital in the period. The deficit for the second half of 1954, estimated six months ago at £38 million, has now been revised to a deficit of only £5 million. Any comfort that may be derived from the probability of an underestimate of the surplus for January-June 1955 must, however, be swamped by the fact that the second half of the year is normally less favourable than the first half, for both Britain and the overseas sterling countries. The out-turn for the whole of 1955 is, on present indications, likely to show a substantial deficit—and certainly a larger gold loss.

About £90 million of the deterioration of £157 million in Britain's current payments balance with all areas occurred in visible trade. Some of it can be attributed to the first effects of the swollen import bill

that must bear the main burden of blame. The dock strikes naturally played their part in that. The cost of all imports rose by £196 million to £1,667 million, and of imports from the dollar area alone by £114 million to £354 million—an increase of no less than 47½ per cent. The fall in the net surplus on invisible payments with all areas from £188 million to £120 million was mainly attributable to a decline in receipts from shipping and oil. The rise in tramp freight rates has had an adverse effect, as Britain has become a net buyer of tramp services—though it remains a net seller of liner services. The additional imports of coal and steel have also added to the debit side of the shipping account. The fall in receipts from oil operations may be transient, reflecting initial outpayments under the new arrangements with Iran and Iraq. The invisible payments are also being swollen by higher interest rates on sterling balances held overseas; this factor is believed to have involved an additional £30 million a year compared with 1954.

The gold and dollar accounts of the sterling area, summarised in Table II, reflect little credit on Britain and the sterling Dominions. Once again, the colonies have saved them from bearing the full brunt of their excesses. Britain's net balance with the dollar area showed a deficit of £65 million, compared with a surplus of £49 million a year before. The dollar deficit of the sterling dominions doubled to £58 million though a part of that may reflect merely the finance

TABLE III
STERLING LIABILITIES
(£ million)

	Dec. 31, 1945	June 30, 1951 (Peak)	June 30, 1954	Dec. 31, 1954	June 30, 1955
Liabilities to:					
Dollar area	34	73	61	97	86
OEEC countries	412	422	304	324	320
All non-sterling area countries	1,232	1,068	770	856	831
UK Colonies	454	908	1,185	1,223	1,294
Independent sterling countries	2,008	2,195	1,864	1,823	1,735
Total sterling area ..	2,462	3,103	3,049	3,046	3,029
Non-territorial organisations	—	568	515	476	479
Total sterling liabilities	3,694	4,739	4,334	4,378	4,339

by South Africa of a larger portion of its deficit through London side by side with increased sales of gold there: gold sales in London are up from £67 million to £82 million. But the only laurels are for the Crown Colonies, which improved their net surplus with the dollar area from £54 million to £60 million (rubber must have helped). Transactions with other non-sterling areas are not similarly broken down; but it is a reasonable

assumption that the deterioration in the whole sterling area's balance with these countries from a surplus of £38 million to a deficit of £48 million was in the main attributable to the inflation-prone mother country and Dominions, and that here too the Colonies cut down the deficit and stemmed the loss of gold and dollars.

The good work done by the Colonies in mitigating the external strain on Britain shows again in the figure of Britain's sterling liabilities. The total of these liabilities (excluding the somewhat artificial holdings by non-territorial organisations consisting mainly of uncalled capital in the IMF and World Bank) fell in the first half of this year by £42 million to £3,860 million.

Conversion the Hard Way

THE best of luck has attended the Government's plans for replacing the £524 million of 3 per cent Serial Funding stock, 1955. The terms of the new issue announced this week—a 4 per cent conversion stock offered at 99½, repayable at par between June 15, 1957, and June 15, 1958, must have been decided over the weekend. The sharp rise in the gilt-edged market that occurred on Monday and carried long-dated stocks up by 1½ to 1¾ points and the shorts by smaller amounts, was therefore an uncovenanted and unengineered help. The fine start has caught the market's eye and will no doubt help both the cash and the conversion offers even though the rally in the gilt-edged market has not been wholly maintained. The Bank of England, the Treasury and the Government broker appear to have played their hands well. Advantage has been taken of the fact that a rally in gilt-edged was in progress; probably the actual date of the operation was for that reason advanced by a few days.

But properly considered, this conversion operation has been planned and executed over a much longer period—a period of months, during which the movement of the gilt-edged market has on the whole been strongly adverse and during which it was rightly decided that the Government broker must be a net seller, in order to reinforce the credit squeeze by refusing to pick up the gilt-edged stocks that the banks and others had to sell. Tempting opportunities of acquiring the maturing 1955 stock—naturally the first stock to be sold by the banks—had to be allowed to pass by. Stock which in other circumstances would have been moving steadily into the portfolios of the departments has had to be bought scantily—almost surreptitiously, as part of switching operations in which the Government broker was not a net buyer. And since the banks were selling heavily, this meant that much stock moved into hands where its conversion is less sure than it would have been, either had it remained with the banks or been bought by the Government.

The authorities have thus had to plan this operation

Every group of Britain's sterling creditors reduced its claims with the sole exception of the Colonies, whose sterling balances rose by £71 million to a new peak of £1,294 million. The Colonial sterling balances have almost trebled since the end of the war, when they stood at £447 million. Part of that great growth has naturally been matched by an outflow of long-term capital from Britain. But the balancing is far from complete, and the shortfall is some guide to the extent to which Britain and some of the Dominions have built their welfare states and maintained their over-buoyant economies with credit advanced by the less developed members of the Commonwealth. •

with the dice loaded against them to an extent that has not been experienced in recent years. The lessons they have learned painfully through the unfortunate 4 per cent Gas issue and the more reassuring 4½ per cent Electric issue have doubtless added to the technique of debt management, and the experience may be needed again if the credit squeeze is to endure. The 2½ per cent National War Bonds, 1954-56, are a problem that must soon be considered, and the Government broker must already be considering how to buy this without becoming a net buyer of stock.

★

Government policy has gone much further than merely not being a net buyer of stock. The departments have throughout most of the period of the squeeze been substantial net sellers and have thus incidentally armed themselves with buying power. The extent to which that has been successfully done over the last few months may never be known, but the net selling cannot have been small. The very fact that the government broker is a seller of the 4 per cent Gas stock, created only last July, at over 5 points below its issue price, shows how far his previous policy of selling only at a profit and at rising prices has had to be modified.

It is naturally not desirable that the Government Departments should use their buying power to subscribe for one pennyworth more of the new issue than is necessary. Internal subscriptions naturally provide no new cash, and thus cannot directly help in the repayment of such of the outside holdings of 1955 stock as are not converted—which is the only real purpose of the "cash" offer. But in practice there is no such sum as £250 million available for investment in a new gilt-edged stock on any single day, so that some degree of official participation was inevitable. When the market learns, as it did on Thursday, that large applicants for over £5 million of the new stock received 78 per cent of their applications, it does not doubt either that departmental funds were used heavily

to produce the "over subscription" or that 4 per cent conversion, 1957-58, will be an addition to the stocks that the Government broker has to offer, as also for the next few weeks will be 3 per cent Serial Funding, 1955, "assented." In effect, the Government always makes its issue over a period (and usually at varying prices), instead of at a single price on a single day. The important consideration, if a policy of this kind is to remain circumspect and in harmony with present monetary policy, is that the new stock shall be such as will stand the best chance of speedy resale.

GROSS REDEMPTION YIELDS*

	Sept. 5	Oct. 4	Oct. 10	Oct. 12
<i>Short-dated:</i>				
Nat. War Bonds 2½%				
1954/6	4 13 1	4 2 6	4 3 2	4 5 8
Serial Funding 3%				
1955 Non-assisted	4 6 3	4 9 6	3 8 6†	2 15 9†
Funding 2½% 1952/7	4 10 6	4 5 10	4 4 6	4 5 5
Serial Funding 2½%				
1957	4 2 11	4 1 9	3 19 9	4 3 1
Conv. 2% 1958/9	4 17 0	4 9 2	4 6 5	4 6 3
<i>Long-dated:</i>				
Brit. Elec. 4½% 1967/9	4 14 7	4 13 2	4 13 0	4 13 0
Brit. Gas 4% 1969/72	4 19 9	4 16 5	4 13 9	4 13 7
Funding 3½% 1999/2004	4 12 3	4 10 7	4 6 8	4 6 8

* To the latest date. † Clean.

Above all, the Government must stand the cost of its own policy to the extent of offering a stock that investors will wish to buy, turning aside from all temptation to induce them to buy on terms more favourable to the taxpayer. It appears that that principle has been accepted with the present issue, and the fact that after the announcement other short-dated stocks declined though the medium dates continued for a time to rise suggests that some investors were selling in order to buy the new stock. That is as it should be.

The new issue is a stock for "City" investors; it has obviously been tailored to suit the banks. The 4 per cent coupon should also appeal to the discount houses, when they have some money to invest again. Its running yield of £4 os. 5d. per cent and its gross redemption yields of £4 6s. 6d. per cent to June, 1957, and of £4 4s. 1d. per cent to June, 1958, are acceptable—though not so extraordinarily favourable that many of them will be induced to sell other stocks at heavy capital losses in order to buy it. It should appeal to the building societies now drawing in more ample funds again if they can be tempted away from the recent liking for Treasury bills. There is indeed a prospective profit in a society paying 2½ per cent net on deposit (equal at the composite rate to £3 5s. 6d. per cent gross) and investing the money at a shade over 4 per cent. Nothing in the market with a 4 per cent coupon has a life nearly as short as this stock with a maximum life of 2½ years, and recent experience suggests that a high coupon is scarcely less important to funds that are taxed as finance companies than a high redemption yield.

The big unknown is the extent to which holders of the 3 per cent Serial Funding stock will accept the offer of conversion into the new issue at £100 stock, plus a cash payment of 10s. per cent. The maturing stock is more widely dispersed than the comfort of the authorities requires. They hold and will convert a big block, though a smaller one than they would like. Some of the banks, despite heavy sales, still have some holdings, and will probably convert them; so, presumably, will the discount market—but the amount still held there has been exaggerated by some recent City comment. Substantial but not dominating amounts are held by some big industrial companies, including the oil giants. They would not normally be expected to convert, but there has been evidence in the last few days that one or two of them intend to do so. A large amount of stock is believed to be held by the overseas banks in London—banks of the Commonwealth and of some Middle-Eastern countries. These banks often co-operate on conversion offers, and may do so this time.

★

If much less than £300 million out of the maturing £524 million of stock is converted, the operation will be judged disappointing. If more than that figure highly successful. That calculation thus supposes that the total issue of the new 4 per cent stock taking the cash and conversion issues together, will not be smaller and will probably be a little larger than the £524 million of maturing 1955 stock. At the outset, inevitably, the Government must hold rather more of the new stock than it now holds of the old. It would have been better if at once the amount of the new stock in the hands of the public were higher than the public's holdings of Serial 1955. But that stage may not be far away. Of the three main stocks which the Government broker will have on offer—the Gas 4 per cent, 1969-72; the Electric 4½ per cent, 1974-79; and the new conversion 4 per cent, 1957-58—the last named should prove the quickest seller.

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Business Notes

Pound and Franc Rally

STERLING has recovered strongly this week. So, a trifle more surprisingly, has the French franc. The recovery in sterling represents a continuation of the closing of bear accounts on a scale large enough to outbalance appreciable commercial purchases of dollars. The spot rate on New York has moved up to \$2.79½, and there is a strong impression in the market that the recovery would have been greater had it not been for modest sales by the British Exchange Equalisation Account. Part of the strength of sterling is reputed to be due to a renewed, though modest, inflow of short-term money attracted here by the narrowing of the discount on forward sterling. At 1½-1½ cents this represents an interest cost of about 1½ per cent.

Sterling has also been helped by a more generous flow of gold from South Africa to the London market. The South African Minister of Finance announced last week that his country intended to maintain its gold reserve at around £75 million and to sell the balance of the gold production on the London market for sterling. He discloses that total sales of gold for the first eight months of this year amount to approximately £106 million; of this, £48 million went to reimburse the United Kingdom for drawings on the sterling area dollar pool. This left £58 million retained by Britain in settlement of the Union's balance of payments with the sterling area and with the non-dollar world. The deficit in South Africa's balance of payments amounted to more than £50 million, so that the country will have achieved no increase in sterling balances so far this year.

★

The modest recovery in the French franc this week brought the rate on sterling down from 983½, touched towards the end of last week, to 982, though there was a subsequent relapse to 983½. It was a political recovery. The franc was under pressure last week when the fate of the Government appeared to be in doubt. The Government victory, coupled with more reassuring news from North Africa, produced the recovery which was the more notable for two reasons. First, a substantial part of the short account in sterling appears to have been built up in Paris with French francs as its counterpart and therefore the closing of those short accounts brings pressure against the French recovery. Secondly, French francs have been sold on the argument that the movement of French troops to North Africa places a larger defence burden on the French budget by reducing the amount of dollar aid.

Enough Coal in Stock

THE fact that distributed coal stocks at the beginning of the winter in November are likely slightly to surpass the "safety level" of 18 million tons to which the National Coal Board has once again retreated, derives from three causes:

throughout the year the Board has been importing as much as it needs to reach that level; because it will continue importing during the winter, 18 million tons is enough to start with; and Britain had a very warm summer and is having a fairly warm autumn.

The Board continues to have precious little else to boast about. The warm summer, apart from allowing consumers to use less coal, has enabled the opencast contractors to claw more out, and their production is now ½ million tons ahead of last year's total. Deep-mined output, however, is still nearly 4 million tons down. In spite of the very real fact that the mines are losing manpower, the number on colliery books in the first three quarters of this year was only 2,500 fewer, or less than half of one per cent lower than in the same period last year, while the number of face workers was only 400 fewer. Absence, voluntary and involuntary within the meaning of the Board's regulations, was up, and output per man-shift for all workers was also down, though face productivity was slightly up. In recent weeks some of these fallible indices of mining performance have looked better, but not all of them. And it is not easy to have any confidence that the current deputation of leaders of the Board and the Union who are going round pits where output is even worse than the average will make any difference, whatever.

No Slackening in Steel Demand

DURING the first six months of this year the stocks of steel in merchants' and consumers' hands in Britain rose by about 100,000 tons and another 100,000 tons was transferred from merchants' to consumers' stocks. Stocks at the end of June amounted to just over 3½ million tons of finished steel, almost exactly the same amount as was in stock a year before and at the end of 1953. Production of engineering goods and vehicles over the first half of this year appears to have been about 12 per cent higher than

a year ago. Steel supplies to the home market, which have been supplemented by considerable imports of finished steel, were 7 per cent higher than a year before during the first quarter of this year, 10 per cent higher during the second quarter and 14 per cent higher in July and August.

This rise in steel stocks held by merchants and more particularly by consumers may be counted as something of a corrective to exaggerated reports of the difficulties caused by extreme shortage during the last twelve months. But it is not particularly surprising that engineering companies producing more goods should be inclined to hold more steel in stock; and the fact that the increase in output over twelve months has been achieved with no increase at all in total stocks indicates some tightening in stock management, and probably markedly reduced holdings of some steel products.

Within these totals, there was a rise of 25 per cent in the stocks of sheet steel held by consumers. The output of the motor industry, which is the biggest single user of sheet, rose during these six months by 19 per cent. Clearly the motor companies, who have been paying very large premiums to import American sheet privately, have been ordering as far ahead as they could; with the current tightening of steel supplies on the American market, which is the only significant marginal supplier of extra sheet, this is not surprising. The Steel Board hopes that during 1956 home production of steel should rise enough to support a continuing rise in output of the metal goods industries. And even the motor manufacturers, who can hardly expect that they will get all the sheet they want from British strip mills, can hope that American supplies may be made easier by the downturn of automobile production that is likely next year in Detroit.

A Rally in the Markets

INDUSTRIAL shares rallied strongly in the middle of this week. The *Financial Times* industrial index that had been falling heavily for over a week touched 181.1 on Monday, which happened to be just over 19 per cent below its peak of 223.9 last July. It marked time on Tuesday and pulled up sharply on Wednesday to 185.1. London nowadays shows an increasing tendency to watch the mood of Wall Street and both the major movements of the last ten days—the fall on Friday of last week and the rally on Wednesday of this week happened to coincide with moves in the same direction there. It also happens that over the last three weeks Stock Exchange markings—that wholly inadequate pointer to the volume of trade—have suggested a slowly broadening volume of business in Throgmorton Street. The number of marks in the first three days of this week was 32,514, compared with 30,812 in the first three days of the previous week and with 29,087 in the first three days of the week before.

These few swallows make much less than a summer; they do not even add up to an indication of changing market climate. The simple explanation for the mid-week rally—that the market rallied because it was oversold—is reasonable and for the moment sufficient. Markets could hardly have fallen the distance they have over the time they have without some bear accounts being built up both inside the "House" and outside it. Gilt-edged were rallying strongly at the beginning of the week, and the offer of 4 per cent conversion stock 1957/58 was well received. Current trade reports still show signs of high public expenditure even

(Continued on page 232)

Markets on the Move

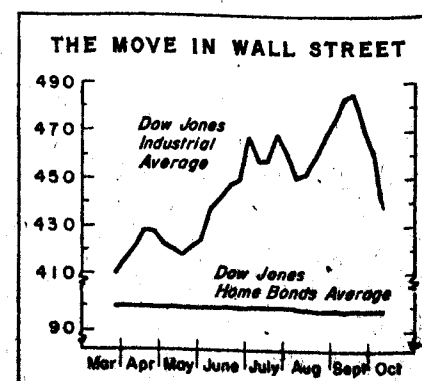
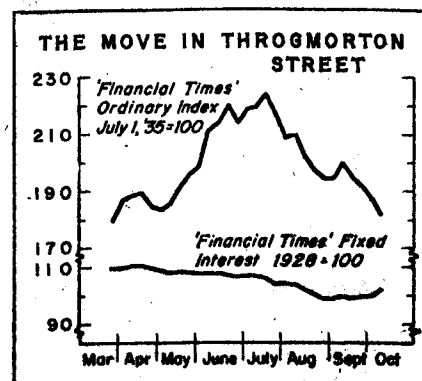
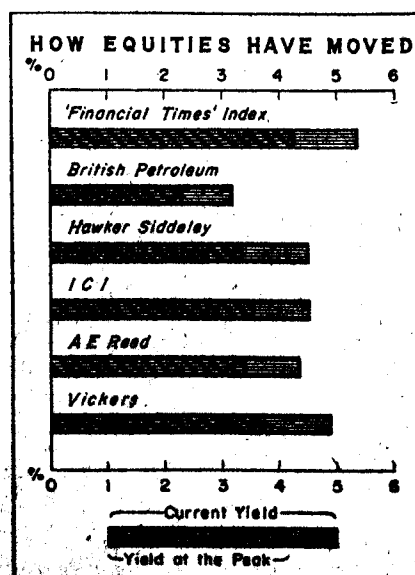
THE improvement in gilt-edged prices was carried a stage further this week. The gap between gilt-edged and equity yields, which at the top of the boom in the industrial market looked

unduly narrow, has widened again, though Wednesday's sharp rally in industrials checked the adjustment. The relationship between these yields is now perhaps more healthy.

The accompanying charts illustrate some facets of the stock markets in the last six months. In Throgmorton Street the change in mood from Mr Butler's Budget speech to his speech at the Lord Mayor's banquet—from a reduction in income tax to the credit squeeze—dominates the scene. The de-

cline in equity prices in Wall Street came later—triggered off by the illness of the President.

It is also instructive to compare the yields on some of Britain's leading and most favoured equities at the top of the boom (taken here to be July 21st) with their current yields. It is only just over two months ago that investors were prepared to accept dividend yields of under 4 per cent because earnings yields and prospects looked good. Now dividend yields close to 5 per cent.



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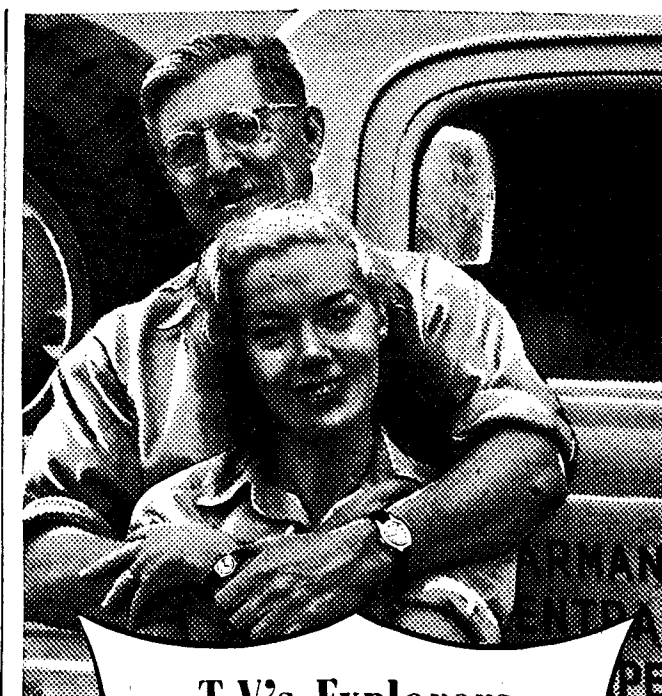
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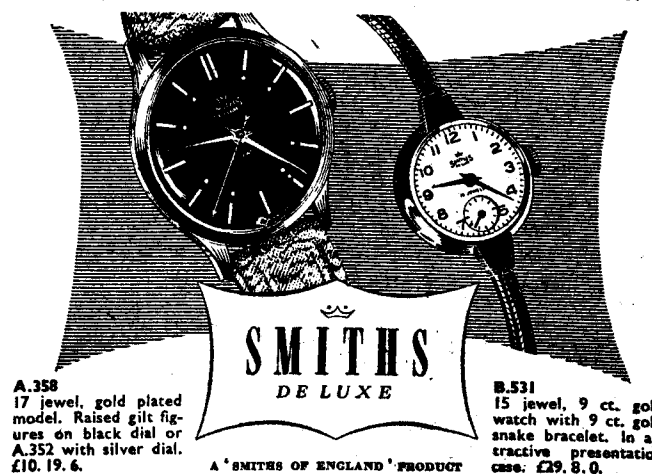
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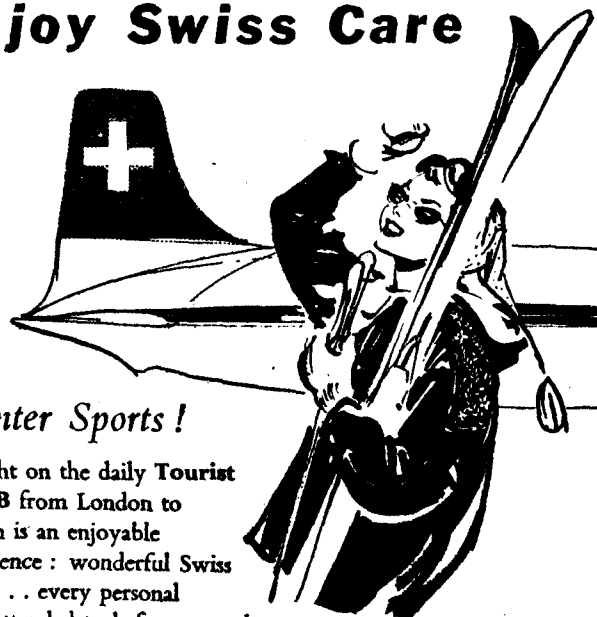
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Only 561 companies were put through the statistical mill of *The Economist* in that quarter. The mean date for the end of their financial years was March 31st. Those profits were earned around a mean date already twelve months old and investors who bought equities in the boom had long ago had a shot at estimating their shape. In fact, the trading profits of these 561 companies rose by just over 13 per cent (from £248 million to £280½ million). That advance coincides almost exactly with the increases reported in the last quarter of 1954 and in the first quarter of 1955, but it falls short of the 17 per cent advance recorded by the 1,000 companies (including almost all the international trading giants) which issued their reports in the second quarter of this year.

To see how that increase was absorbed the investor—and more particularly the politician—may give a passing glance to the modest increases in the depreciation and tax provisions (up by just over £3 million each) and to the addition of

about £18 million more to reserves, but he is much more likely to batten on to the increase in ordinary dividend payments (up by about £9 million to £39.4 million). It is as well, then, to try to show what that increase means, without denying that equity shareholders have fared better in the last few months, partly because EPL was no longer feeding on profits, than for many a long year. The ordinary dividends are shown in this analysis after deducting tax. Hence part of the £9 million increase is simply due to the change in the standard rate of tax from 9s. to 8s. 6d. in the £; roughly the change in tax accounts for between about £750,000 and £1 million of the apparent increase. An equally rough estimate suggests that the gross return of these dividends on issued capital is about 16½ per cent, compared with one of about 15½ per cent the year before. On the capital and reserves attributable to the equity the gross return is about 7 per cent, compared with one of about 6.2 per cent.

Neither profits nor dividends have risen uniformly throughout the industrial groups (whose accounts are analysed in detail on pages 245 and 246). The biggest proportionate increases have been reported by the tea and rubber plantation companies. Such groups as “electrical manufacturing” and “motors, cycles and aircraft” have also done well, though textile profits still show little change. The capital goods industries go on reporting higher profits, but one of the biggest increases (of 19 per cent) occurs in the “shops and stores” group, dominated in this

quarter by the GUS results. This batch of trading results helps to confirm the impression that hire purchase has been a particularly profitable business and it is noticeable that in those groups where hire purchase companies are well represented the rise in stocks and debtors has been most marked. The total stocks of the 561 companies have gone up from £442 million to £489 million and debtors from £349 million to £423½ million. So far the pressure on liquid assets has been almost imperceptible, but all that happened before the credit squeeze became a reality.

So much for the platform. What about the prophecy? Profits reported in the current quarter should show a good advance, if only because many motor companies will soon be presenting their accounts to stockholders. In absolute terms profits earned in 1955 will be high but the relative increases in earnings may not be so startling, simply because they will be set against the brilliant 1954 results. That is already discernible in some of the half-yearly statements recently issued by a few giant companies. Looking further ahead the bout of wage increases this year must ultimately act as a drag on profits, particularly on those earned by companies selling their goods in competitive export markets where prices have to be kept down. That possibility, to say nothing of the more onerous terms that now have to be paid for new money from the capital market and the likelihood that a curb on expenditure may make new contracts hard to get, may have its influence on dividend policy next year.

PROFITS, PROVISIONS AND DEPRECIATION (£'000)

	Reports Published July to September, 1955		Reports Published October, 1954, to September 1955	
	561 Companies		2,729 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profits	247,997	280,528	1,618,163	1,862,975
Income from investments	14,289	16,304	109,807	116,695
Other current income	289	492	8,819	11,613
Non-recurring credits	9,720	10,180	72,149	59,603
Total income	272,275	307,504	1,808,938	2,050,886
Repairs and maintenance	704	725	10,395	10,366
Depreciation	35,249	38,801	270,152	311,944
Income tax (excl. profits tax)	94,050	101,159	604,452	664,806
Profits tax	25,690	21,196	143,262	123,001
Directors' emoluments	10,183	10,871	53,193	55,836
Administrative charges, etc.	4,871	4,268	49,497	43,646
Contingencies, provisions, etc.	13,861	17,929	92,660	114,304
Pensions	3,305	4,159	23,976	26,992
Minority shares in profits	4,253	5,345	19,847	23,753
Profits retained by subsidiaries	15,669	23,514	109,989	146,318
Debt interest	4,648	4,802	30,382	41,552
Preference dividends	4,824	4,978	33,323	34,684
Ordinary dividends	30,484	39,387	306,466	259,995
Revenue reserves, etc.	23,770	25,048	151,358	167,336
Brought in (parent company)	49,548	51,052	301,344	318,721
Carried forward (parent company)	61,052	56,574	318,721	345,074

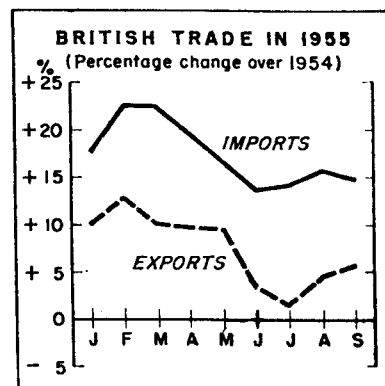
ANALYSIS OF BALANCE SHEETS Published July-September, 1955 (£'000)

	561 Companies		561 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Capital (Parent Companies)—				
Debtenture.....	117,559	120,660		
Preference.....	154,197	155,897		
Ordinary.....	357,248	418,301		
Reserves and Surplus—				
Capital reserves	159,194	180,688		
Revenue res. & carry forward	383,406	406,474		
Total Capital, Reserves and Surplus	1,171,404	1,262,020		
Outside Interests in subsidiaries	74,829	76,148		
Current Liabilities and Provisions—				
Bank overdrafts and loans	50,268	59,534		
Creditors, etc.	380,568	446,438		
Future taxation	97,891	105,751		
Other provs.	18,514	18,466		
Current Assets—				
Stocks.....	441,948	469,239		
Debtors.....	359,271	426,533		
Gift-edged "accs."	34,337	34,443		
Other marketable investments	86,263	92,536		
Cash.....	201,196	199,366		
Total	1,773,074	1,986,417	1,773,074	1,986,417

though active consumer expenditure probably owes something to anticipation of purchase tax increases. That may well be sufficient to prompt some cautious bear closing. The first reaction to the Bournemouth speech—the four point fall in the industrial index and the rally in gilt-edged—was a natural one. If a stiffer policy aimed at expenditure, public and private, is coming, that is good for gilt-edged and bad for industrials. The market, however, continues to show much resilience notwithstanding the readjustment it is undergoing and no doubt investors would like to see the measures before they make up their minds. For an outstanding example of those recuperative powers the new P and O 5 per cent debenture is hard to beat. After 96 per cent of the issue had been left with the underwriters and dealings had recently opened around 1 point discount, the new stock stands at around £3 premium.

Sharp Fall in Imports

THE encouraging fact about British overseas trade last month is the sharp fall in imports. The total of £304.2 million cif was £35.1 million below the average of July and August, two months in which the impact of monetary policy on imports appeared to have petered out. The trend appears in the chart, which shows how the cumulative value of imports during the first nine months of 1955 has moved in proportion to that of 1954. By May, imports seemed to be responding to monetary policy, though Britain was also reaping the benefit of a fall in certain commodity prices that had occurred months before. Whereas the cost of imports in the first three months of the year was 22 per cent higher than in the same period of 1954, the cost in the first five months was only 16 per cent higher. Then came the three months affected by the transport strikes, June, July and August, at the end of which the cost of imports for the first eight months was still 16 per cent higher than in 1954. Thanks to the sharp fall in imports last month, the nine months' tally was but 15 per cent higher than a year ago. One swallow does not make a summer but it does raise this question: has monetary policy started to bite again on imports, or was it simply that its effects in July and August were masked by the distortions of the strikes? The



detailed trade returns may provide a clue.

Exports last month apparently included some shipments held up by the strikes, but fewer than in August; the total was £243.2 million fob, £21 million below the exceptionally high figure for the previous month. The gradual clearing of the backlog of goods is reflected in the chart, which shows that in the first nine months the value of exports had recovered to a level 6 per cent above that of a year ago.

But there is still ground to be made up before the proportionate lead over last year is as high as it was before the strikes began, and much more before exports match the growth in imports. Last month, with re-exports at £10.6 million, the gross visible trade deficit fell by £17.6 million to £50.5 million. Welcome though that reduction was, it still left the average deficit in the nine months at £75.4 million a month, some £28 million larger than in the same period of 1954.

Copper Beats a Retreat

SUPPLIES of copper are gradually improving and the price reflects it. Cash copper closed in London on Thursday at £352 5s. a ton; just over a month ago it stood at a record £400. The first sign of easier supplies in the United States, where the shortage was most acute, came in the sharp fall in prices of copper scrap. Then the custom smelters dropped their price for electrolytic copper from 50 to 48½ cents a lb, and later to 45½ cents; this compares with 43 cents charged by the major producers. Prices in London weakened further, helped by the sharp break on Wall Street and the ending of a strike at a big Chilean mine. The knowledge that the remaining 13,000 tons of electrolytic copper to be sold by the Board of Trade would become available from November onwards, and the credit squeeze, also played a part. Buyers here and on the Continent appear to be pretty well covered until the end of the year and they are cautious in satisfying their outstanding requirements for the first quarter of 1956. The fall in American prices on the other hand would probably have gone further if consumers were not so keen on building up stocks before December 31st, in order to lighten their tax assessments.

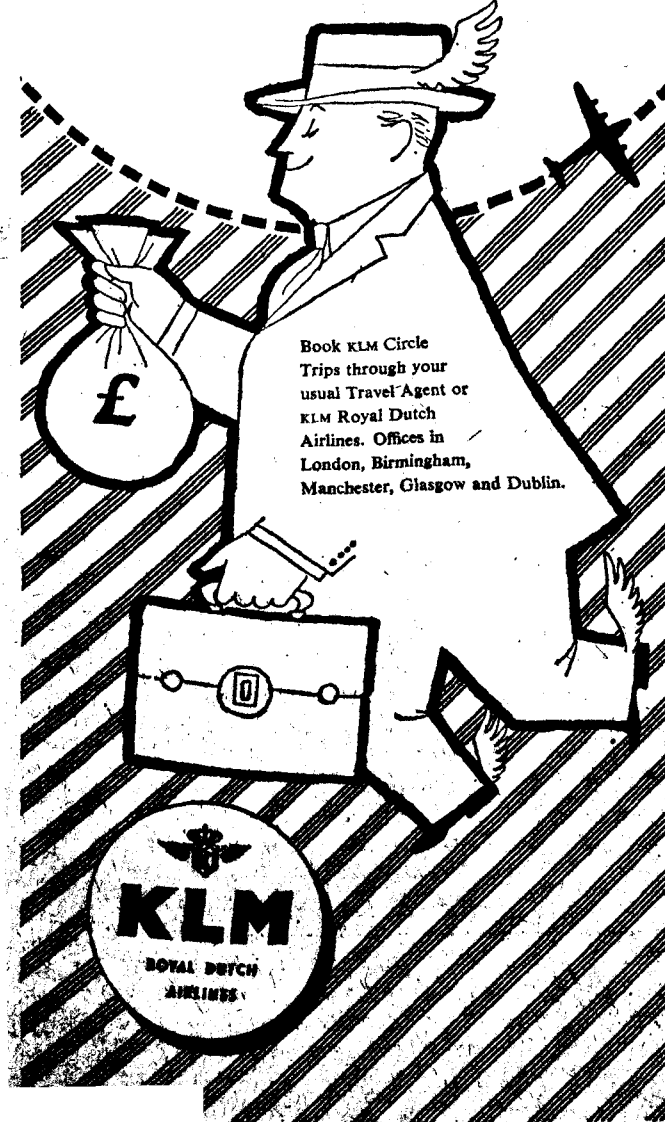
So far copper has beaten an orderly retreat and a rout does not seem likely. It will be a month or two yet before the losses resulting from the recent bout of labour troubles have been made good, and world consumption remains buoyant. It is refreshing that normality is returning to the industry, but it would be imprudent to assume that copper is entering a long period of peace.

An End to the Levy?

How long will the transport levy be charged upon goods vehicles? This was imposed by the Transport Act of 1953 to pay for the cost of denationalising the bulk of the Transport Commission's road haulage fleets and to cover any capital losses incurred on the sales. Before July, when the Minister of Transport decided that the Commission should retain just over one quarter of its vehicles instead of the one-tenth originally intended, he had provisionally estimated the capital loss at £21 million, including £1 million compensation for the disturbance to the Commission's activities. This sum was to be paid in five equal annual instalments, with interest on amounts as yet unpaid and the accounts of the Transport Fund for 1954, published this week, state that the first instalment of £4.2 million was

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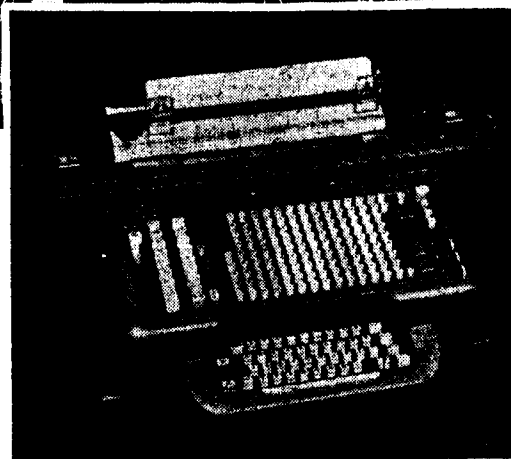
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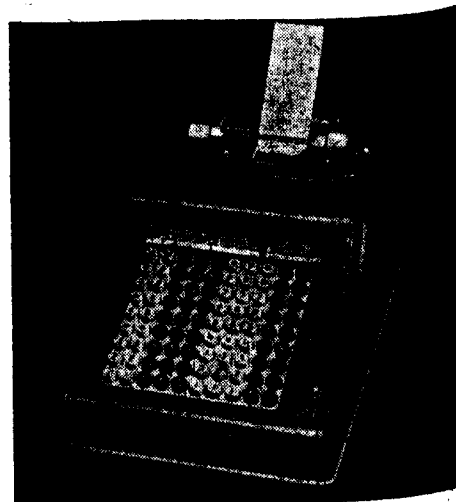
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paid last January. They also show that £4.02 million was collected through the levy last year and that interest on future instalments and the expenses of the Disposals Board had amounted to nearly £400,000 by the end of the year.

Now that far fewer lorries are to be sold back to private hauliers, however, the capital loss should be much smaller. The Minister's provisional estimate of £20 million, compared with the £32½ million given in the Commission's accounts as the value of the goodwill of its road haulage undertaking, indicates that the Commission has been selling its depots and vehicles—and expected to continue selling them—at much more than their depreciated book value. Moreover the value of the goodwill attached to the trunk fleet that the Commission is now retaining should be substantial. Plainly the Minister's estimate needs revision; and the levy can be abolished sooner than was anticipated.

More Tanker Orders

TWO more oil companies have ordered new tankers from foreign shipyards within the last few days. Last week-end British Petroleum announced that it had placed contracts totalling £8 million for four 34,000-ton oil tankers with Italian shipyards; and Royal Dutch-Shell announced on Thursday orders for nine more tankers, thus bringing its total bookings in the last month to 43 vessels of 1,054,000 tons deadweight. Eight of these nine tankers will be built in Western Germany—two will be 32,000 tons dw vessels and six will be 18,000 tons dw. The ninth tanker, which will be of 32,000 dw, will be built in Britain. Altogether, Shell has now ordered in its latest programme 21 tankers from shipyards in this country, 14 from Holland and 8 from Western Germany.

These orders bring the total deadweight tonnage ordered since July by British tanker operators—both by established companies and by those entering the business for the first time—to between 2½ million and 3 million. These new vessels will become available from 1957 onwards, when the construction programme launched in 1950 and 1951, plus minor orders placed since then, will have been completed. The present round of new orders has not ended yet, however: British Petroleum has still to announce the major part of its programme, and the bulk of it is expected to go to British yards. Certain other owners also have a few more contracts to complete. More attractive prices and earlier delivery dates are the main reasons why orders have been placed abroad; but British tanker builders have no reason to be disgruntled with their share of the tonnage ordered so far. About three-fifths of the present programme has been placed in this country and there can now be few yards without berths booked up to 1960. By then, of course, tanker operators have to consider thinking of replacing "the large middle hump" of their fleets, consisting of vessels built during the war.

Compromise on Kuwait Tax

ONE of the minor but none the less significant attractions of British Petroleum Company's ordinary stock has been the claim lodged by the company with the Inland

Revenue for relief against taxes charged in Kuwait. That claim has now been settled—by a compromise. Up to the end of 1953 British Petroleum had set aside about £57½ million for Kuwait tax as a charge against profits; if the claim for relief against this sum had been granted in full the company would have drawn back about £20 million. In effect that claim has been dropped. But in 1954 British Petroleum set aside a further £36.7 million for Kuwait tax and this ranks for relief under the newly revised Kuwait regulations.

Kuwait has issued a new tax decree which ensures that any Kuwait tax payable this year and in future years will rank for unilateral relief against British taxation. As the taxes on the 1954 profits are payable this year and thus rank for relief, British Petroleum estimates that it over-provided about £10 million for British tax in 1954. The company has withdrawn its claim against the Inland Revenue in respect of the taxes paid under the old Kuwait tax decree. The £10 million, which, presumably, will be written back in the 1955 accounts, is somewhat less than some of the optimists had expected to accrue from the settlement of the tax claims, but current and future earnings on the ordinary capital will automatically benefit from the new arrangements.

Citroen Pulls Away

IT is more than twenty years since Citroen introduced its famous *Onze Chevaux*—a car that sold strongly in Europe and achieved an enthusiastic following in this country by reason of its strong integral body-frame construction, the cornering stability and unobstructed interior afforded by front-wheel drive, plus torsion bar springing and rack-and-pinion steering. That "Light 15," as Britain knows it, began to look obsolescent only during the last few years. The new 2-litre model Citroen introduced at the Paris Show and shown in London this week is as revolutionary today as the earlier car was in 1934, and may well remain technically ahead of its competitors for an equally long time. What the Citroen engineers have done is to produce a more powerful front-drive model that employs hydraulic circuits to render it pleasant and effortless to drive, with the remarkable level-keel pneumatic suspension already tested on the company's six-cylinder car applied to all its wheels; it is incidentally a better looking car than the old one and indeed rather better looking than its own photographs.

The clutch action is fully automatic, dispensing with the pedal, and a finger-tip lever protruding from the dash controls the hydraulically assisted gear change of a 4-speed synchromesh gearbox. A small button on the floor replaces the normal brake pedal and applies the brakes hydraulically through a circuit with separate accumulators and pipelines for front and back brakes, able to proportion braking effort to load carried, and using inboard air-cooled disc brakes (themselves revolutionary in any stock car) at the front. A normal pedal, which can be locked down by a hand control, actuates the front brakes mechanically for parking. The rack-and-pinion steering is hydraulically assisted and the steering wheel has a single spoke to safeguard the driver.

in the event of an accident, while a rubber crash-lining encircles the roof.

Good performance is ensured by a revised four-cylinder engine with overhead valves inclined at 60 deg. in a light-alloy head, 75 bhp being claimed at 4,500 rpm. An ingenious ignition system, like that of the little Citroen 2 cv, employs dual coils and contact-breakers instead of a distributor, and the fan has nylon blades. The 4-door saloon body has light-alloy bonnet and boot panels, uses a removable plastic roof, and provides very generous passenger and luggage accommodation, with good visibility. The spare wheel is carried under the bonnet head of the radiator and each road wheel is secured by a single nut. Ducted hot air warmed by two separate auxiliary radiators is fed to the body interior, which is very fully equipped. The new features of this car, it will be seen, depend heavily on hydraulics; but aircraft design has greatly advanced this technique in the last 20 years, and there is no reason to regard the new Citroen with suspicion though service of the system in this country might be a problem. In France, the car costs less than £950: here it will be priced at £1,404 after tax.

Spending in the Summer

THE rate of personal spending was a fraction less buoyant during the second quarter of the year than in the first. Returns from the Central Statistical Office put the total figure as £3,103 millions, or nearly 7 per cent higher than in the same quarter last year; the first quarter's increase was more than 8 per cent. If these figures are taken together with the retail returns for August, which show decided signs of a slackening rate of sales, they might be interpreted as a curb on the spending spree that has had such repercussions on the country's balance of payments.

Compared with the same period of 1954, a great deal more (£105 millions) was spent on food, as much as at last Christmas; more also was spent on rent and housing; on clothes apart from shoes; and on fuel and light. Alcoholic drinks, apart from beer, also captured a good proportion of the additional spending. But beer, tobacco, shoes, travel and entertainment showed only a slight improvement. Changes in prices have made little difference to the actual volume of goods received. Revalued at 1948 prices, the spending rose rather more than 3 per cent to £2,396 millions compared with the second quarter of 1954. But after the quarter had ended, retail sales in the big shops were down by 3 per cent compared with the previous August outside the food departments. Sales of clothes and furniture were the most severely affected, but sales of radio and electrical goods, too, suffered a check.

Russia Sells Less Silver

SILVER has fully maintained its recent firmness. Over the past week cash silver has crept up from 80½d. per ounce to 80½d. Among the reasons contributing to the strength of the market has been the shortage of Russian

offerings. A year ago Russian selling orders came in lots of as much as 500 tons; now when an occasional offer appears it is at most 20 tons. The Russian Government seems to have disposed of its surplus silver stocks during the 1953-54 selling campaign when it was financing increased imports of consumer goods. Current Russian selling, which continues to be made against transferable sterling, amounts, it is believed, to less than current production.

Another temporary reason for the shortage of silver in world markets has been that the hurricane damage in Mexico has stopped physical movement of silver from the mines and interrupted shipments from Vera Cruz and Tampico. A more lasting influence is the proposal now before the Japanese Parliament to use the Japanese stock of nearly 2,400 tons of silver for coining instead of selling it in world markets. This stock (formerly looted from China) was returned to Japan by the United States after signature of the Peace Treaty.

Freights in the Atlantic

COAL shipments across the Atlantic have undoubtedly been the mainstay of the tramp shipping freight market this year, and look like continuing to be so well into next. There has been a steady demand for tonnage on time charter for one or two years' trading, or on a consecutive basis, at good rates—a sign of hedging against further increases in freight rates. The National Coal Board and other coal charterers have been doing this: and a recent contract was let for the shipment of 1,150,000 tons from Hampton Roads to the near Continent at 65s. 6d. per ton between next December and December 1956, which compares with 72s. per ton for about 125,000 tons shipped between now and the end of the year.

Current rates for Transatlantic coal are now some 5s. to 10s. higher than a month ago. This may be partly due to a loss of shipping space through recent delays in the discharging ports and congestion in Hampton Roads. Although this has now improved, a similar effect will be brought on by winter conditions, coupled with observance of the winter loadline regulations, which reduce cargo capacity by up to 300 tons a ship. A similar steep rise has also been noted in Transatlantic grain rates. Barley from the St. Lawrence has risen from 75s. for October loading to 90s. November loading, which is double the highest rate paid for this voyage during last season.

Furniture and Its Council

A PRIVATE vendetta that has been fermenting in the furniture industry for several years has reached something approaching a climax. The furniture industry is the last that still possesses a statutory development council—the Cotton Board is excepted. The Furniture Development Council has pioneered research in an industry where laboratory methods are largely unknown, and its efforts have led

to the evolution of performance tests of durability for furniture that have been adopted by the British Standards Institution and are the foundation of the present scheme of certifying the quality—i.e., the durability—of modern mass-produced furniture. As such, the scheme is a major step towards protecting shoppers from poor quality in a class of consumer goods that is notoriously difficult to judge.

The industry, through its trade association, the British Furniture Manufacturers' Federation, after long and often bitter debate has decided to ask for the development council to be wound up, as its counterparts in other industries have been. Under this plan, the BFM would take over the research functions now performed by the FDC. Last week the Furniture Development Council stated its own case in a letter to the President of the Board of Trade, questioning whether the BFM in fact possessed the financial resources or the organisation to carry on this research. The FDC is supported by a compulsory levy on the industry which brings it in a revenue of £22,000 a year; this levy and its compulsory nature has been a stumbling block to manufacturers who do not hesitate to pay heavy dues—voluntarily—to the BFM. There is some justice in the arguments of the Development Council, and they are likely to receive much support among the more thoughtful sections of the industry.

Mr Beswick Looks at Aircraft

MR FRANK BESWICK spent a year between 1950 and 1951 as a junior Labour minister in what was then still the Ministry of Civil Aviation. He has therefore a

certain amount of first-hand information about the aircraft industry, and the description of production methods—and even more the sales methods—of sections of that industry contained in the paper* he published this week have the stamp of authenticity. But the conclusions of his thoughtful analysis—and Mr Beswick has not made any facile, out-of-hand condemnations—are sadly disappointing.

Having described the soil that fosters the present difficulties, the excessive dependence on Government finance for the greater part of the research and development of the aircraft industry, and the absence of any genuine competitive incentive to produce successful designs; having then demonstrated that nationalisation would not offer any solution, Mr Beswick lamely concludes that what cannot be done by nationalisation might be done by making the state a partner in individual aircraft companies to the extent that it provides them with capital assistance. This after he has quoted Short Brothers and Harland as an example of a company that has shown no spectacular improvements since it came under public ownership.

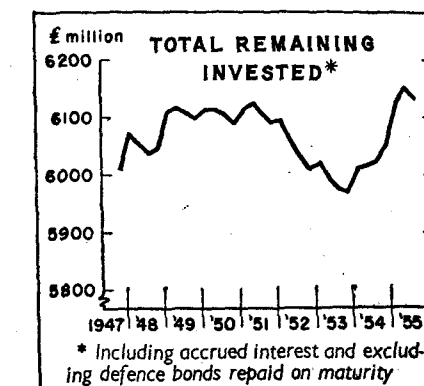
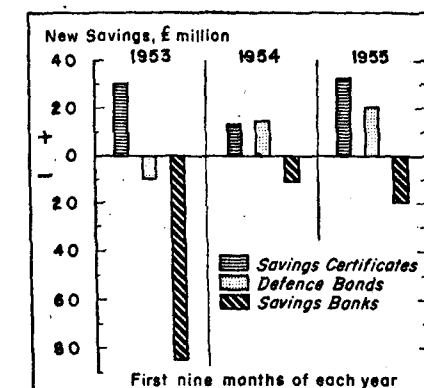
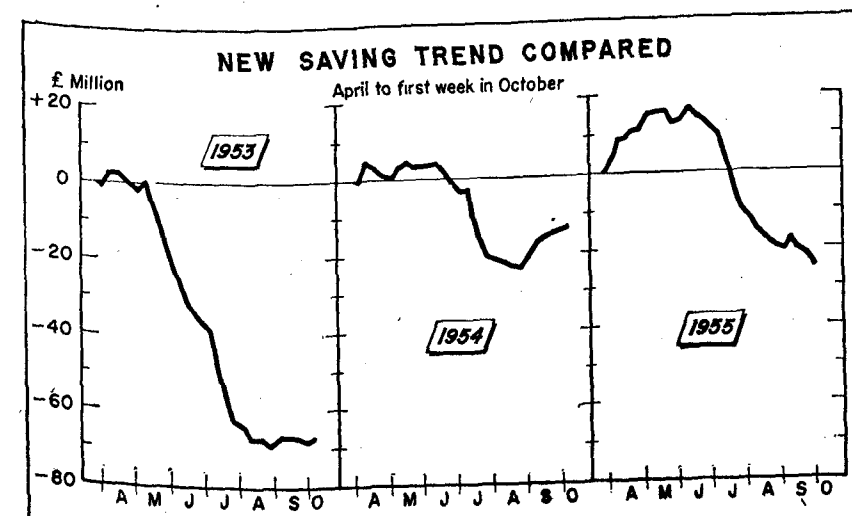
In spite of minor inaccuracies and the use of some obsolete figures, Mr Beswick's arguments suggest that he really knows more about the aircraft industry than to assume that its malaise can be cured so easily. The Ministry of Supply, and through it the chiefs of Air Staff, already exercise close control over the activities of aircraft designers and production engineers. What is necessary today is not more state control, but a great deal less control at the early stages of design, so that projects can be financed as private ventures. (Private ventures today, however successful, find themselves handicapped by attempting to compete

* Plan for the Aircraft Industry. Frank Beswick. Fabian Research Series No. 176. 1s.

Turn in Small Savings?

THE sustained improvement in small savings that began during 1953 has been reversed in recent weeks. New purchases of savings certificates and defence bonds, and deposits in the post office and trustee savings banks have continued to fall significantly short of encashments and withdrawals—whereas at this season in 1954 and 1953 the drain of the holiday months had already been checked. But in the first three quarters

of 1955 as a whole net saving has still been larger than a year before—£33.3 million against £17.0 million. Net withdrawals from the savings banks have been higher, but this has been more than offset by increased net sales of savings certificates and defence bonds—bolstered by the increases in limits of holdings made last November; and sales of defence bonds should be further stimulated by the new issue at 4 per cent.



with government-financed projects ordered off the drawing board.) Full government support at the later stages of development, which is unquestionably necessary, would then have a better chance of being directed towards the more successful designs.

Sunbeam's Very New Look

THE new Sunbeam Rapide is neither a big car, nor a powerful car, nor an expensive car, but it sets a standard in styling and finish that other and bigger British manufacturers may find it difficult to equal. The Rapide is one of the few really new cars being shown by a major British maker at the Motor Show next week. Its lines are unquestionably American in origin but Rootes' stylists, who have acquired a high postwar reputation abroad, have added a sharpness and precision that is visually most attractive. So is the high standard of interior finish, with a padded and covered dashboard, the good visibility and the sturdy seating, and the extent to which the car has proofed against wind and dust.

There are not many mechanical innovations on the Rapide, except for the bold decision to include overdrive as standard fitting, giving in effect six forward gears. This is at present an expensive extra on all but the most costly cars. The engine is developed from the overhead valve unit fitted in the Hillman; the compression ratio of the engine has been stepped up to the high figure of 8:1, and the power developed increased from 43 to 57½ bhp. In this country, the price of the Rapide is £695, or £986 after tax. This puts it in the price range of Rootes' own Humber models, of the most expensive Ford product, the Zephyr convertible, and some of the more highly developed models of the British Motor Corporation. The existing Sunbeam sports models remain in production, at a basic price nearly £150 more than that of the Rapide.

New Uses for Sugar

THERE is not much doubt that the world surplus of sugar is temporary; the growth of population and of living standards should take care of it in time. But that time is still far off, and meanwhile other remedies must be found. One is the restriction of production; that is done by the International Sugar Council, but it is a negative approach because many producing countries have no alternative cash crop. The positive approach is to try to discover new uses for sugar. Work to this end is being carried on in several parts of the world, notably in the American continent and in the British West Indies. Bagasse, the waste product of the sugar cane, has for many years been used as a source of pulp and paper products, and recently it has been made to yield furfural, an intermediate in the manufacture of nylon (du Pont now buys over 13,000 tons of furfural a

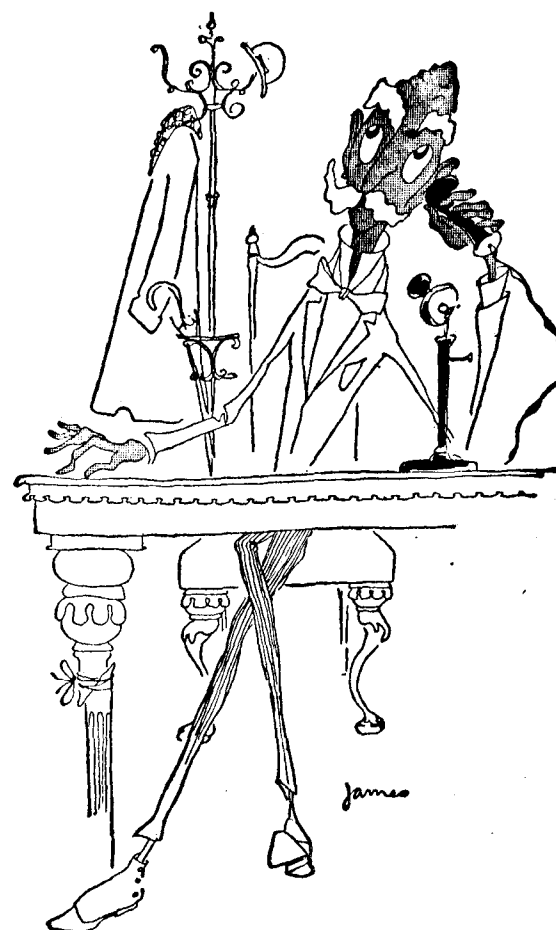
year from a producer in the Dominican Republic). But the main need is to find new uses for sugar itself rather than its waste products. An account of recent developments in this research was given to the last meeting of the Sugar Council by the director of the American Sugar Research Foundation, Dr H. B. Hass:

Sugar, he said, is not only a food, "it is also the purest, most abundant, and one of the cheapest organic compounds available for synthesis . . . there is no obvious limit to the industrial demand for raw materials to produce plastics, detergents, paints, insecticides, synthetic fibres and the like. . . ." The synthesis of detergents and other surface active agents from fat and sugar, instead of from fat and petroleum-based chemicals seems to be one of the most promising discoveries. ("Hang a fat tail on to sugar" was evidently his order to the laboratory; in three years it was done.) The factory cost is estimated to be 13 US cents a lb, well below that of the petroleum-based product. Such detergents have applications in washing, toilet, pharmaceutical and food preparations, and are being tested for use in secondary oil recovery. If the chemical companies come to share Dr Hass's enthusiasm and belief in the value of sucro-chemistry it should not be too long before industrial uses absorb a sizeable part of the world surplus.

Industrial Assurance Progress

INDUSTRIAL ASSURANCE, despite its inviting new name of "home service assurance," continues to advance more slowly than the other forms of insurance. It has not for one reason had the tremendous push that the "top hat" policy and the group pension fund have since the war given to the ordinary branches of insurance offices. That does not prevent the industrial life offices from showing a record year for 1954, and since industrial offices tend to do both industrial and ordinary branch business from doing more than £500 million of new business for the first time. Taking the two branches together, the Industrial Life Offices Association has announced new business for 1954 of £523 million, an increase of £36 million on 1953 which had shown a smaller rise of £22 million on 1952. The total consists of £285.9 million (an increase of £9.2 million) on the industrial side and £237.2 million (an increase of £26.9 million) on the ordinary side.

The industrial branch funds alone at the end of 1954 stood at £1,022.4 million, a rise of £64.8 million over 1953. The industrial and ordinary funds of the industrial offices together at £1,683.7 million showed an increase of £114.6 million, so that the growth was heavily weighted towards the ordinary branches, partly reflecting some business in the ordinary branches that came from overseas and partly the excellent figures of the Prudential. Taking the calculation either way, as the industrial insurance funds, or as the insurance funds of the industrial offices, these funds represent an important sector of public saving—largely of small saving that, as the chairman pointed out this week, can stand comparison with the £6,100 million invested in "national savings" or the £1,800 million invested in the building societies.



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They had to decide where lay the future for British shipping faced with possible competition from the air, restricted by currency regulations and beset by expansion of the fleets of many other nations. In the light of these factors, decisions had to be made to make good the war losses—of which the P & O Group alone bore the tragic total of 371 ships amounting to 1½ million tons. In such a situation half measures would not do. Capital expenditure of many millions was sanctioned and scores of keels laid down in the shipyards of the country. This in a period of inflation and rising costs when the price of building ships of a similar tonnage could, and did, increase by £3 million within the short space of four to five years.

The fruits of this bold policy we see to-day. Fast modern passenger ships once again link Europe with India, Australia and the Far East, while the contribution of such experienced cargo carriers as the B.I. and the New Zealand Shipping Companies and the Hain Steamship Co., has ensured that more freight than ever is carried in British holds throughout the world.

The emergence of a new industrial Asia opens up vast opportunities for the shipping trade which this country should not ignore. I feel confident that with enterprise in administration, plus a reasoned conservative policy in financial matters, the future for this group and for British shipping in general, is bright.

ISSUED IN THE INTERESTS OF
BRITISH SHIPPING AT 122 LEADENHALL STREET
IN THE CITY OF LONDON

P&O

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Oil Buys More

THE orders placed by the oil companies with British industry, to supply their installations in Britain and overseas, have taken a marked upward turn this year. During the first six months they reached £63 million, as compared with £80 million for the whole of last year and £67 million in the whole of 1953. Early this year the Council of British Manufacturers of Petroleum Equipment hoped that orders this year might reach about £100 million—which would top the £91 million ordered in 1952, the peak year of orders for the British refineries that have since been completed. Today that forecast looks conservative: the volume of orders in the second half of the year, if 1954 gives any pointer, may well be of the same order as in the first.

To call the manufacturers who supply these goods "the petroleum equipment industry" is convenient enough, provided it is realised that most of them normally wear different hats. In the latest quarter on record the biggest single block of orders, as usual, was for bulk chemicals, £5 million worth: "automotive equipment," building materials, metals, electrical equipment, laboratory and hospital supplies, machine tools and miscellaneous machinery accounted for another £8 million or so, while "Commissary and general requisites"—which may range from typewriter ribbons to tennis balls—took more than £1½ million worth of orders. The Council recently announced that it proposed to hold talks with the oil industry at appropriate levels, to find out the oil industry's current supply problems, telling its members what those problems are, and so jointly trying to meet them. Since oil is an industry by no means backward or unpractised in making its complaints public knowledge—and since its complaints have not wholly abated in recent months—this seems a prudent if belated move by the Council.

Compensating Airline Passengers

AFTER some weeks of argument at The Hague, an international conference has agreed that the financial liabilities of airlines towards their passengers should be doubled from the present ludicrously low maximum of about £3,000 to £6,000. This increase was first discussed two years ago. Now, although they have been approved officially, the new limits will not come into force until 30 countries have ratified the agreement, a process that may take two or three years more.

When air transport started, the airlines behaved like any other form of transport: they paid damages on a scale assessed by the courts when negligence could be proved. In 1929 the international Warsaw convention came into being, under which the airlines automatically accepted liability in the case of an accident, to cut down litigation, but only on condition that their liability was stringently limited. The present figure is 125,000 gold francs; the revised agreement reached last week will double this figure—when enough countries have ratified—to 250,000 gold francs, which is higher than the 200,000 originally put forward but a good deal lower than the 375,000—or £9,000—asked for by the Americans. In

these days of scientific accident investigation, it is probably easier to settle responsibility for an air accident than it would have been in 1929. The airlines' automatic acceptance of liability in return for a financial limit on compensation no longer looks so generous, especially when the limit bears so little relation to the earning capacity of many of those who travel by air.

Stability in Raw Jute

IT is long since the Pakistan market in raw jute has been as stable as it has recently. For over three months prices have rested on the official minima for export, with firsts at £80 a ton cif Europe (the minima are fixed in sterling). A big crop depressed prices to the minima, and the severe floods and the disruption of transport failed to lift prices off the floor. The hold-up in shipments, however, quickened interest in supplies on the spot or afloat, for which premiums of up to about £5 a ton are still being paid. Shipping delays would have been less troublesome had not many spinners run down their stocks in the belief that Pakistan would be forced to reduce the minimum export prices in face of the big crop. That reduction was taken for granted when the Pakistan rupee was devalued at the end of July, and European manufacturers of jute goods are still smarting under their disappointment. Their resentment can be understood, if not condoned; though the sterling price of raw jute remained the same, the competitive power of Pakistan manufacturers was improved as a result of devaluation.

In contrast to the stability of raw jute, prices of jute goods have weakened owing to the lack of overseas demand. When Pakistan devalued its rupee India felt obliged to remove the export duty on jute goods; since then buyers have obtained the full benefit of its removal and more besides. The price of a 10-ounce 40-inch Indian hessian, for example, has fallen by 12s. to about 58s. per 100 yards fob, and only 5s. of that fall is accounted for by removal of duty. It is this weakness, not the devaluation of the Pakistan rupee as such, that has made it so difficult for European manufacturers to compete with India in world markets. The new Pakistan industry is not yet producing sufficient jute goods for export to hurt the Indian mills, but sample shipments have been made to all the big markets at prices that compete with India's.

In 1947 nationalism put a frontier between the jute goods industry in Calcutta and the jute lands of East Bengal; and nationalism demanded that India should become self-sufficient in raw jute and that Pakistan should make jute goods. These policies are now nearing fruition. As India takes from Pakistan something of its monopoly in raw jute, and as Pakistan takes from India something of its dominant position in jute goods, European manufacturers must pray that they will not be squeezed too badly in the competition for world markets.

New Move on Textile Labelling

FOR months past, the British Standards Institution has been discussing with the textile industries whether, and to what extent, it is desirable to tell the public what fibres

go into the clothes and furnishings that they buy. They are no nearer agreement than when the talks began. To break what is essentially an amiable deadlock, the BSI is now about to put its own inquiry on foot—to discover instead what the shopping public would like to be told. A questionnaire will be distributed on the lines of a normal market research inquiry, and the answers should provide evidence to prove whether informative labelling is really felt to be necessary, and if so what data a label should carry. The BSI has already conducted its own private experiments to show that few people can correctly identify textile mixtures—or textiles that have gone through special finishing treatment.

Many members of the textile industries accept in principle that this confusion should be avoided, but they cannot agree in practice on how the information should be conveyed on the label. Although standard definitions for wool cloths, including mixtures of wool with other textiles, have been in use for some years, the Silk and Rayon Users' Association recently published a report condemning informative labelling on the grounds that it was unworkable. The BSI's private market survey should provide some ammunition to meet these arguments.

The value to the public of informative labels does not rest on their convenience alone. Those who attempt to enforce the Merchandise Marks Act, which now forbids "misleading" as well as false descriptions of goods, believe that an agreement on labelling would greatly strengthen the Act—which remains the only real bulwark to protect the public from being fobbed off with inferior goods. This prospect justifies some further effort to devise a series of agreed labels.

Company Notes

COPPER DIVIDENDS. One conclusion implicit in the quarterly reports of the Selection Trust group of Rhodesian copper companies was an increase in dividend payments. Bigger dividends from bigger profits have been duly recommended. *Roan Antelope* will pay 4s. per 5s. share (or 80 per cent) for the year to June 30th, compared with 3s. 6d. per 5s. share (or 70 per cent) in 1953-54. *Mufulira* will pay 20s. per £1 share (or 100 per cent), compared with 15s. per £1 share (or 75 per cent). *Rhodesian Selection Trust*, which owns 63½ per cent of the Mufulira shares, will pay 4s. 9d. per 5s. share (or 95 per cent), compared with 3s. 6d. per 5s. share (or 70 per cent). All these dividends are subject to a Rhodesian income tax and surcharge at 7s. 6d. in the £. As British shareholders receive their dividends net of that tax charge (and have to settle their individual liabilities for British tax on the dividends with their own Inspectors of Taxes) it is customary to calculate yields net of the charge of 7s. 6d. in the £. On that basis and cum the latest dividends the 5s. units of Rhodesian Selection Trust yield about 6½ per cent at the current price of 44s. 9d. and the 5s. units of Roan Antelope yield about 9½ per cent at the current price of 26s.

A comparison between these current yields and those, say, of two or three years ago indicates the willingness of investors to reassess the potentialities of the Rhodesian copper belt. The companies' heavy capital investments, the

	Years ended June 30,	
	1954	1955
<i>Sales and profits:</i>		
<i>Roan Antelope:</i>		
Profit	9,036,563	10,818,759
Replacements	1,000,000	1,000,000
Profit, before tax	8,036,563	9,818,759
Taxation	3,308,000	3,896,000
Net profit	4,728,563	5,922,759
Ordinary dividends	3,932,114	4,493,844
Production (long tons)	88,678	82,697
Sales (long tons)	84,706	79,746
<i>Mufulira:</i>		
Profit	9,663,931	12,313,958
Replacements	1,250,000	1,500,000
Profit, before tax	8,413,931	10,813,958
Taxation	3,543,000	4,420,000
Net profit	4,870,931	6,393,958
Ordinary dividends	3,819,432	5,509,244
Production (long tons)	87,972	86,004
Sales (long tons)	84,467	83,155

change in domicile and the upward trend in profits all played a part in encouraging investors to take a longer and a more optimistic view. The latest increase in profits—Mufulira's earnings, after a bigger provision for replacements, have risen from £8,413,931 to £10,813,958 and Roan's, after the same charge for replace-

SHORTER NOTES

The Federation of British Industries has performed a useful service for the industrialist and the company secretary by publishing a digest of the three reports of the Royal Commission on the Taxation of Profits and Income and the two Millard Tucker Committee reports. The digest, prepared by Mr Frank Bower, chairman of the FBI taxation committee, reduces the 900-odd pages of these reports to a summary of 83 pages for five shillings.

★

Associated Electrical Industries has offered to purchase the whole of the ordinary share capital of the Hill Top Foundry Company at 4s. 6d. for each 1s. share. As the issued capital of Hill Foundry is £60,000 the bid thus involves £270,000.

★

The prospective merger has been announced of the Imperial Bank of Canada and Barclays Bank (Canada), the wholly-owned subsidiary of Barclays Bank Ltd. Barclays are already shareholders in the Imperial Bank, and the amalgamation will give the group a substantial minority interest. The new business will continue under the name of the Imperial Bank of Canada and four directors of Barclays (Canada) will join the board. They include Mr J. S. Crossley, chairman of Barclays Bank DCO.

ments of £1 million, have gone up from £8,036,563 to £9,818,759—is but another straw in the wind.

A pleasing tailpiece to the Rhodesian Selection Trust results was the preliminary statement from *Tanganyika Concessions*. That company, too, has increased its dividend—from 55 per cent to 70 per cent for the year to July 31st. Through its holdings in Union Minière du Haut Katanga, Tanganyika Concessions has an important stake in the production of copper and cobalt—to say nothing of uranium—in the Belgian Congo. It also controls Benguela Railways. The bigger dividends and royalties from Union Minière are reflected in the advance in the net profit of Tanganyika Concessions from £2,519,282 to £3,000,830. Another titbit for investors in "Tanks" was the declaration of a maiden dividend by Benguela Railways and the elimination of that company's debenture interest arrears. "Tanks" holds 90 per cent of that debenture and its preliminary statement shows the receipt of £579,302 from the payment of these arrears.

★

HORLICKS. An increase in the Horlicks dividend is more than an event. It marks the end of a generation. From before the war the company has paid, come rain or shine, a steady 30 per cent on its ordinary capital. For the year to

March 31st last the directors have added a "bonus" of 5 per cent to that dividend, making 35 per cent. The 5s. ordinary shares have always had only a limited appeal, attracting only those investors who looked for income and not for capital appreciation. Even an unexpected bonus is unlikely to add any more life to the market. Indeed, after the dividend announcement the "middle price" remained unchanged at 21s. 6d. so that on the new dividend the 5s. shares offer a yield of about 8½ per cent.

The bigger dividend is amply justified by earnings. Profits before tax have risen from £497,527 to £749,108 and after tax they have gone up from £219,431 to £340,794, from which the ordinary dividend absorbs £123,698. The latest earnings include a credit of £70,428 (against £37,861) arising from the sale of investments and assets. Of that sum reserves—has accrued from the sale of American assets. In the last few years Horlicks has found it difficult to penetrate the American domestic market with its products and just about a year ago the chairman spoke of the "disposal of surplus buildings" in the United States. The sale of some of the American assets makes sense, particularly as the need to supply export markets from the American factory has largely ceased. The new Australian factory has been designed to supply these export markets. Nor is the sale of a not particularly profitable bunch of assets in contradiction to the company's efforts to widen its range of products.

WILLIAM DOXFORD. This shipbuilding and marine engineering

company has enough orders in hand to keep its yards fully occupied for at least another twelve months. In the last few years its profits have benefited increasingly from its capital development and modernisation programme. Hence the fall in trading profits (from £914,088 to £844,665) in the year to June 30th last must be attributed largely to rising costs, though the irregular pattern of contract completions running inevitably across the trading years rules out strict comparison of one year's profits with another's. But net profits, almost unchanged at £357,230, have been cushioned by the investment allowances on the company's heavy capital outlays. In the last financial year £578,000 was spent on new buildings, plant and machinery and the investment allowances of £43,000 on that expenditure have materially reduced the year's taxes. In fact, the tax provision is only £286,000, compared with £453,000 in 1953-54. The directors must have been satisfied with the trend in profits for they have increased the ordinary dividend from 15 to 17½ per cent. Ex that dividend the £1 ordinary stock units at the current price of 63s. yield £5 11s. per cent.

The directors can now report that "the work on the re-organisation of the shipyard and extensions to the engine works has now been substantially completed." The company's "quick" assets—at the end of June they added up to over £1,500,000—are more than sufficient to cover the remaining items in the development programme. Few boards can be as happy on the score of working capital. William Doxford's balance sheet at the end of June shows that instalments received on account of work-in-progress (amounting to £2,809,068) actually exceeded the valuation of work-in-progress at cost (amounting to £2,272,295).

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Sept. 28, 1954	June 28, 1955	July 26, 1955	Aug. 30, 1955	Sept. 27, 1955	Sept. 28, 1954	June 28, 1955	July 26, 1955	Aug. 30, 1955	Sept. 27, 1955
2½% Consols	95.8	83.8	80.8	77.8	78.2	3.69	4.22	4.38	4.55	4.53
Debenture stocks:										
Industrial	91.5	83.3	82.2	78.5	76.7	4.50	4.94	5.00	5.24	5.36
Investment trust	93.0	86.9	84.7	81.3	80.0	4.44	4.75	4.88	5.08	5.16
Preference stocks:										
Industrial	94.7	87.4	85.4	81.8	80.8	4.80	5.22	5.34	5.57	5.64
Investment trust	93.0	83.3	81.9	78.7	77.7	4.74	5.29	5.38	5.60	5.68
Ordinary stocks:										
Banks	109.8	110.0	104.1	97.5	93.3	4.13	4.32	4.58	4.88	5.10
Industrial insurance	130.1	145.8	151.2	139.7	137.3	4.64	4.36	4.21	4.62	4.68
Investment trust	184.9	247.7	256.0	232.8	221.2	4.33	3.91	3.82	4.22	4.51
Electrical engineering	135.6	168.5	174.9	159.7	149.2	4.76	4.36	4.26	4.68	4.56
Engineering	162.2	211.3	207.1	184.2	182.4	4.16	3.83	3.95	4.45	4.49
Motors and aircraft	173.8	212.4	214.5	197.7	191.5	4.60	3.81	3.72	4.06	4.19
Breweries	120.6	116.4	112.6	109.7	108.6	6.07	6.40	6.61	6.75	6.81
Chain stores	261.8	290.3	280.1	261.6	260.0	2.89	3.41	3.54	3.79	3.82
Cotton textiles	122.8	118.0	115.9	106.9	106.3	7.13	7.74	7.88	8.51	8.53
Household goods	158.3	161.6	158.1	141.7	141.7	4.75	5.73	5.85	6.24	6.53
Rayon	79.0	78.9	75.4	70.6	68.4	6.07	7.42	7.82	8.39	8.67
Tobacco	96.0	81.5	82.3	81.4	79.4	6.71	6.73	6.65	6.73	6.95
Wool textiles	123.1	129.3	123.9	115.8	115.0	5.55	5.92	6.41	7.10	7.15
Chemicals	188.9	238.3	239.6	218.4	210.8	3.97	3.80	3.78	4.13	4.28
Oil	171.1	220.1	252.8	235.2	237.1	5.99	5.33	4.67	4.97	4.99
Shipping	144.5	166.6	175.0	162.6	163.4	5.21	5.06	4.86	5.30	5.31
Total (capital goods)	155.0	194.7	198.6	178.7	174.1	4.77	4.28	4.24	4.67	4.71
Total (consumption goods)	138.3	139.5	137.4	130.1	128.2	5.37	6.78	6.84	6.15	6.26
Total industrial (all classes)	147.7	165.9	168.0	156.4	153.5	5.14	5.10	5.07	5.45	5.52

LONDON STOCK EXCHANGE

Next Account begins: October 19th
Next Contango Day: October 19th
Next Settlement Day: October 25th

CONSIDERABLE buying of gilt-edged securities occurred on Monday when 2,399 bargains were marked in this section and gains of up to 1½ were made. That was one half of the market's reaction to the promises of a stiffer policy contained in the Bournemouth speeches of the Chancellor and the Prime Minister. The other half was the four point fall in the Financial Times industrial index on Friday. Investors continued to take advantage of the prevailing yields to buy long and medium dated gilt-edged stocks, Treasury 3½ per cent 1977/80 rising to 86 before profit taking on Wednesday brought the price down to 85½. Some selling of short-dated stocks developed after the details of cash and conversion offer for the 3 per cent Serial Funding Stock 1955 were announced.

Bear covering after the sharp fall in industrials last week produced a correspondingly sharp marking-up of prices in the thin market on Wednesday. The *Financial Times* index of industrial shares rose from 181.8 to 185.1, recovering most of the loss suffered on Friday.

Less interest was shown in foreign bonds and most sections declined. Japanese issues improved after being weak but German stocks continued to lose ground on reports of Dr Adenauer's ill-health. Although banks continued weak on Monday the strength of gilt-edged encouraged slight advances later, Barclay's rising to 48s. 9d. and Westminster "B" to 77s. 6d. Insurance stocks also benefited from renewed interest. Engineering and electrical shares improved considerably on bear covering, and steel issues were further helped by the increase in output. In a good market for paper shares, A. E. Reed ordinary rallied to 90s. after closing last week at 85s. Oil stocks responded to buying after their recent fall, British Petroleum regaining 3s. 1½d. to 101s. 10½d. and Royal Dutch ½ to 55½. Kaffirs brightened on Wednesday in anticipation of the quarterly reports, Free State Geduld rising to 4½.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Oct. 5...	187.7	99.91	4.40	5.18
" 6...	185.7	100.25	4.37	5.24
" 7...	181.7	100.68	4.29	5.35
" 10...	181.1	101.63	4.16	5.37
" 11...	181.8	101.62	4.18	5.35
" 12...	185.1	102.03	4.21	5.25
1955, High.	223.9 (July 21)	115.97 (Jan. 7)	Total bargains	
" Low.	175.7 (Mar. 15)	98.23 (Sept. 2)	Oct. 5	9,163
1954, High.	184.0 (Dec. 31)	118.10 (Nov. 18)	" 6	9,239
" Low.	131.1 (Jan. 1)	111.78 (Jan. 5)	" 7	10,287
			" 10	13,195
			" 11	10,026
			" 12	9,393

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Oct. 12		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Oct. 5, 1955	Price, Oct. 12, 1955	Yield, Oct. 12, 1955	Gross Yield, Oct. 12, 1955	Prices, 1955 Jan. 1 to Oct. 12		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Oct. 5, 1955	Price, Oct. 12, 1955	Yield, Oct. 12, 1955
High	Low							High	Low						
100 3/4	96 1/2	Funding 2 1/2% '52-57		97 1/2	97 1/2	2 10/16	4 5/8	17 1/2	17 1/2	17 1/2	STEEL & ENGINEERING		38	35	5 0 0 p
100 1/2	97 1/2	War Bonds 2 1/2% '51-56		98 1/2	98 1/2	3 0 1	4 5/8	10 3/4	10 3/4	10 3/4	4 a B.S.A. £1		11 6	11 6	6 1 8
100 1/2	97 1/2	War Loan 3% '55-59		99 1/2	99 1/2	2 10/16	4 5/8	27 1/2	27 1/2	27 1/2	3 a Colvilles £1		31 9	31 6	5 14 30
100 1/2	99 1/2	Serial Funding 3% 1955		99 16	8 100 0	2 15/16	9 2 15/16	36 7 1/2	23 1/2	23 1/2	8 a Dorman Long £1		31 6	29 9	5 7 7
100 1/2	99 1/2	Serial Funding 2 1/2% 1957		99 1/2	99 1/2	2 10/16	4 5/8	31 2 1/2	23 1/2	23 1/2	15 b Guest Keen N'old £1		43 9	42 6	4 14 1 1/2
99 1/2	91 1/2	Conv. 2% 1958-59		92 1/2	92 1/2	3 4 3	4 5/8	79 9	42 1/2	42 1/2	5 a Stewarts & Lloyds £1		67 6	64 3	3 17 9
97 1/2	89 1/2	Exchequer 2% 1960		90 1/2	90 1/2	3 7 10	4 6 6	27 6	27 6	27 6	4 a Summers (John) £1		37 6	35 9	5 11 1 1/2
104 1/2	92 1/2	Exchequer 3% 1960		94 1/2	94 1/2	2 17 4	4 4 3	47 10 1/2	35 9	35 9	4 a United Steel £1		42 1/2	40 3	4 19 5
100 1/2	83 1/2	Savings Bonds 3% '55-65		87 1/2	88 1/2	3 1 6	4 9 5 1/2	36 7 1/2	23 1/2	23 1/2	2 1/2 a Vickers £1		36 1/2	34 6	4 18 7
100 1/2	86 1/2	Funding 2 1/2% '56-61		91 1/2	91 1/2	3 2 7	4 11 1/2	30 4 1/2	19 6	19 6	4 a Bradford Dyers £1		20 6	20 1/2	10 0 0
97 1/2	78 1/2	Funding 3% '59-69		82 1/2	84 1/2	3 3 7	4 11 1/2	24 9	23 1/2	23 1/2	7 b Brit. Celanese £1		26 1/2	25 3	7 18 5
103 1/2	90 1/2	Funding 4% '60-90		91 1/2	91 1/2	4 6 5	6 1 9 2	23 1/2	23 1/2	23 1/2	6 1/2 a Coats (I. & P.) £1		23 6	24 1/2	7 5 10
96 1/2	77 1/2	Savings Bonds 3% '60-70		82 1/2	83 1/2	3 2 9	4 11 1/2	55 3	35 1/2	35 1/2	4 a Courtaulds £1		42 3	41 1/2	4 17 7
102 1/2	87 1/2	Exchequer 2 1/2% '62-63		91 1/2	93 1/2	2 15 1	4 5 0 1/2	34 1 1/2	24 6	24 6	5 a Lanes, Cotton £1		25 1/2	25 3	9 18 0
99 1/2	82 1/2	Exchequer 3% '63-64		87 1/2	87 1/2	3 3 3	4 6 0 1/2	36 0 1/2	28 1/2	28 1/2	10 b Patons & Ballin £1		31 9	30 9	8 2 7
95 1/2	77 1/2	Savings Bonds 2 1/2% '64-67		81 1/2	82 1/2	3 5 6	4 9 2 1/2	22 11 1/2	17 4 1/2	17 4 1/2	3 1/2 a Bristol Aeroplane 10/-		19 9	18 9	5 6 8
94 1/2	75 1/2	Savings Bonds 3% '65-75		79 1/2	81 1/2	2 19 9	4 9 0 1/2	22 11 1/2	17 4 1/2	17 4 1/2	4 a British Motor 5/-		10 1/2	10 1/2	6 5 0
105 1/2	91 1/2	Victory 4% '20-76		96 1/2	96 1/2	2 13 6	4 8 10 1/2	15 9 1/2	9 7 1/2	9 7 1/2	Nil c De Havilland £1		23 1/2	21 9	Nil
98 1/2	78 1/2	Funding 3% '66-68		83 1/2	85 1/2	3 3 8	4 12 3 1/2	21 3	21 3	21 3	2 1/2 a Ford Motor £1		44 4	43 9	3 8 7 1/2
103 1/2	83 1/2	Conv. 3 1/2% 1969		87 1/2	89 1/2	3 0 7	4 12 10	60 1/2	37 1/2	37 1/2	5 a Hawker Siddeley £1		51 6	46 6	5 7 6
98 1/2	80 1/2	Treasury 3 1/2% '77-80		83 1/2	85 1/2	2 17 0	4 10 8 1/2	70 9	43 1 1/2	43 1 1/2	30 c Leyland Motors £1		41 3	38 9	5 3 3 1/2
99 1/2	80 1/2	Treasury 3 1/2% '79-81		83 1/2	85 1/2	2 16 7	4 9 10 1/2	52 1/2	33 6	33 6	5 a 12 1/2 Rolls Royce £1		108 9	103 9	3 7 10
88 1/2	68 1/2	Redemption 3% '86-96		72 1/2	75 1/2	2 14 9	4 5 11 1/2	133 1/2	71 3	71 3	12 c Standard Motor 5/-		9 6	9 3	6 9 9
95 1/2	78 1/2	Funding 3 1/2% 1999-2004		81 1/2	84 1/2	2 12 3	4 6 8 1/2	12 3 1/2	6 10 1/2	6 10 1/2	3 a Boots Pure Drug 5/-		17 9	17 6	3 18 7 1/2
97 1/2	82 1/2	Consols 4% aft. Feb. '57		84 1/2	88 1/2	2 12 6	4 11 7 1/2	12 6	12 6	12 6	20 b Debenhams 10/-		40 1/2	38 9	7 1 11
88 1/2	74 1/2	War L'n. 3 1/2% aft. Dec. '52		76 1/2	79 1/2	2 11 0	4 9 4 1/2	21 7 1/2	12 6	12 6	45 b Gt. Universal 5/-		43 6	43 1/2	6 19 6
89 1/2	72 1/2	Conv. 3 1/2% aft. April '61		75 1/2	78 1/2	2 11 5	4 9 5 1/2	47 6	41 1/2	41 1/2	17 1/2 b Lyons (J.) 'A' £1		96 3	96 3	4 13 6
78 1/2	63 1/2	Treasury 3% aft. April '66		65 1/2	68 1/2	2 10 5	4 7 8 1/2	62 6	41 1/2	41 1/2	50 b Marks & Spen. 'A' 5/-		66 1/2	64 6	3 9 9
66 1/2	54 1/2	Consols 2 1/2%		56 1/2	59 1/2	2 8 7	4 4 6 1/2	114 1/2	58 6	58 6	20 a Woolworth 5/-		57 6	58 3	4 5 10 1/2
66 1/2	54 1/2	Treasury 2 1/2% aft. April '75		56 1/2	58 1/2	2 9 2	4 5 7 1/2	76 1/2	58 6	58 6	14 b British Petroleum £1		108 9	100 1/2	3 0 0 1/2
99 1/2	97 1/2	Br. Elec. 4 1/2% '67-69		98 1/2	98 1/2	2 14 5	4 13 0 1/2	139 1/2	68 6	68 6	13 1/2 b Burmah £1		72 6	68 9	2 18 2 1/2
94 1/2	75 1/2	Br. Elec. 3% '68-73		80 1/2	81 1/2	3 1 7	4 10 5 1/2	93 5 1/2	50 1/2	50 1/2	10 b Royal Dutch 100 fl.		158	155	2 14 10
93 1/2	75	Br. Elec. 3% '74-77		78 1/2	80 1/2	2 19 1	4 8 4 1/2	139 1/2	68 6	68 6	10 1/2 b Shell Reg. £1		129 4 1/2	122 6	4 5 2
109 1/2	90 1/2	Br. Elec. 4 1/2% '74-79		93 1/2	95 1/2	2 14 9	4 12 3 1/2	158 9	109 9	109 9	5 1/2 a Trinidad T'holds 5/-		37 6	36 9	4 14 8
98 1/2	80 1/2	Br. Gas 4% '69-72		91 1/2	92 1/2	2 17 4	4 13 7 1/2	44 6	26 9	26 9	7 b Cunard £1		27 1/2	25 6	7 16 10 1/2
102 1/2	82 1/2	Br. Gas 3 1/2% '69-71		86 1/2	88 1/2	2 19 7	4 12 0 1/2	44 6	26 9	26 9	14 c Furness Withy £1		47 1/2	46 6	6 0 5
88 1/2	71 1/2	Br. Gas 3% '90-95		73 1/2	75 1/2	2 14 8	4 5 6 1/2	37 3	25 6	25 6	3 a P. & O. Def. £1		31 1/2	30 6	5 4 11 1/2
94 1/2	76 1/2	Br. Trans. 3% '68-73		80 1/2	81 1/2	3 1 7	4 10 5 1/2	37 3	25 6	25 6	4 a Assoc. Elect. £1		80 1/2	75 1/2	3 14 8
105 1/2	87 1/2	Br. Trans. 4% '72-77		90 1/2	92 1/2	2 16 2	4 12 11 1/2	61 1/2	45 1/2	45 1/2	15 b Assoc. Port. Cem. £1		102 6	98 9	4 1 0
88 1/2	70 1/2	Br. Trans. 3% '78-88		74 1/2	76 1/2	2 16 11	4 7 11 1/2	38 6	27 6	27 6	7 1/2 a Bowater Paper £1		95 1/2	90 7 1/2	3 19 5 1/2

(e) To earliest date. (f) Flat Yield. (h) To latest date. Ex dividend.
 † Assumed average life after 12 years. ‡ Less tax at 8s. 6d. in £.

Prices, 1954 Jan. 1 to Oct. 12		Prices, 1955 Jan. 1 to Oct. 12		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Oct. 5, 1955	Price, Oct. 12, 1955	Yield, Oct. 12, 1955
High	Low	High	Low					
97 1/2	90 1/2	94 1/2	79	Aust. 3 1/2% '65-69		81 1/2	83 1/2	4 18 4 1/2
101 1/2	97 1/2	101 1/2	87	Ceylon 4% '73-75		88 1/2	89 1/2	4 16 11 1/2
106 1/2	98 1/2	103 1/2	87 1/2	N. Zealand 4% '76-78		88 1/2	92 1/2	4 12 9 1/2
79 1/2	71 1/2	75 1/2	61	L.C.C. 3% aft. 1920		64 1/2	66 1/2	4 10 3 1/2
99 1/2	95	99	83	Liverpool 3% '54-64		84 1/2	85 1/2	5 1 0 1/2
87 1/2	80 1/2	84	65	M. Wtr. 'B' 3% '54-2003		68 1/2	70 1/2	4 12 0 1/2
104 1/2	100	102 1/2	94 1/2	Agric. Mort. 5% '59-89		99 1/2	99 1/2	5 0 7 1/2
109 1/2	71 1/2	122 1/2	91	German 7%		110 1/2	108 1/2	...
168 1/2	102	213	149	German 5 1/2%		195 1/2	192 1/2	...
171	132 1/2	211	160	Japan 5% 1907		207 1/2	207 1/2	...
198 1/2	167	254	190	Japan 5 1/2% Conv. 1930		245	246	...

Prices, 1955 Jan. 1 to Oct. 12		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Oct. 5, 1955	Price, Oct. 12, 1955	Yield, Oct. 12, 1955
High	Low							
58 7/8	45 9	5 a Barclays £1		46 6		48 6	4 19 0	...
76 7/8	57 3	6 a Lloyds 'A' £5, £1 pd.		57 6		58 6	5 3 0	...
89 3/4	73 9	9 a Midland £1, fully pd.		74 6		74 6	4 16 8	...
87 1/2	66 3	9 a N. Prov. 'B' £5, £1 pd.		67 6		68 1/2	5 5 11 1/2	...
96 10 1/2	76 4 1/2	8 a Westminster 'B' £4, £1 pd.		76 6		77 6	5 3 3	...
69 1/2	44 1/2	3 1/2 a Alexanders £1		45 6		46 6	5 7 6	...
58 6	45 1/2	5 a Nat. Disc. 'B' £1		46 6		46 6	5 3 3	...
60 1/2	47 3	6 1/2 a Union Disc. £1		48 6		49 1/2	5 2 0	...
40 1/2	32 1/2	4 a Barc. (D.C.O.) £1		34 1/2		34 1/2	3 18 1 1/2	...
51 9	40 6	7 1/2 a Chart. Bk. of India £1		41 6		41 6	7 4 7	...

INSURANCE									
21½	14½	50 a	110 b	Leg. & Gen. £1 5/- pd.	18	18	2	4	5
28	20½	45½b	20½a	Pearl £1, fully pd.	23	22	5	2	9
55½	41½	112½c	117½a	Prudential 'A' £1	44½	42½	4	16	2
BREWERIES, ETC.									
141/-	116/6	33 b	10 a	Bass £1	117/6	118 9	7	4	11
34/9	23/-	10 a	10½b	Distillers 6/8	24/-	23/6	4	13	7
49/6	40/-	15 b	8 a	Guinness 10/-	40/7½	40/-	5	15	0
93/9	68/-	7 a	14 b	Whitbread 'A' Ord. £1	71/3	71/3	5	17	11

Comparative analysis of 561 balance sheets published July-September, 1955
(£'000)

Industry	Banking and Finance	Chemicals and Allied Products	Food and Drink	Shops and Stores	Tobacco	Building	Engineering	Iron and Steel
No. of Companies	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Fixed assets	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Trade investments	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Stocks	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Debtors	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Net balances due to parent company	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Gift-edged	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Cash	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Other marketable investments	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Intangible assets	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Total Assets	214,011	225,208	20,937	23,755	97,266	109,525	116,971	147,810
Bank overdrafts and loans	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Reserve for future income tax	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Depreciation and obsolescence	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Capital reserves and E.P.T. refunds	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Other provisions	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Current liabilities and creditors	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Revenue res. and carried forward	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Net balances due to subsidiaries	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Minority interests	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Debitum capital	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Preference capital	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Ordinary capital	11,815	11,360	1,225	1,117	1,655	2,254	5,207	5,034
Total Liabilities	214,011	225,208	20,937	23,755	97,266	109,525	116,971	147,810

Industry	Shipbuilding	Chemicals and Allied Products	Electrical Manufacturing	Motors, Cycles and Aircraft	Newspapers, Paper and Printing	Miscellaneous Manufacturing	Shipping	Cotton
No. of Companies	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Fixed assets	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Trade investments	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Stocks	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Debtors	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Net balances due to parent company	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Gift-edged	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Cash	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Other marketable investments	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Intangible assets	9,069	10,582	8,887	9,531	12,687	49,068	14,440	16,767
Total Assets	28,810	29,356	26,678	28,394	136,369	158,806	36,596	41,604
Bank overdrafts and loans	143	...	412	255	4,083	4,919	1,397	1,624
Reserve for future income tax	952	1,071	815	962	4,024	4,422	3,141	5,621
Depreciation and obsolescence	2,962	3,716	3,150	3,502	18,380	20,644	4,819	5,307
Capital reserves and E.P.T. refunds	4,692	2,365	1,939	2,177	6,539	10,183	3,837	4,294
Other provisions	158	105	231	222	2,884	2,413	52	178
Current liabilities and creditors	5,703	4,896	5,943	6,682	32,038	36,951	7,106	7,768
Revenue res. and carried forward	5,424	5,903	6,394	6,394	27,809	33,039	8,129	12,027
Net balances due to subsidiaries	1,571	1,556	398	258	1,027	1,161	242	316
Minority interests	232	150	985	873	9,390	11,107	850	4,141
Debitum capital	2,825	2,692	2,837	2,884	10,968	11,968	1,991	1,963
Preference capital	4,748	6,902	3,443	4,201	19,227	21,999	7,330	8,488
Ordinary capital	4,748	6,902	3,443	4,201	19,227	21,999	7,330	8,488
Total Liabilities	28,810	29,356	26,678	28,394	136,369	158,806	36,596	41,604

Industry	Silk and Rayon	Wool	Other Textiles	Oil	Rubber	Tea	Other Companies*	TOTALS ALL GROUPS
No. of Companies	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year	Prev. Year	Latest Year
Fixed assets	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Trade investments	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Stocks	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Debtors	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Net balances due to parent company	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Gift-edged	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Cash	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Other marketable investments	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Intangible assets	89,263	96,342	16,788	17,880	3,445	3,759	1,973	1,981
Total Assets	163,672	175,224	48,174	52,363	7,289	7,701	4,237	4,551
Bank overdrafts and loans	593	610	1,394	2,340	4	124	...	274
Reserve for future income tax	12,885	11,969	2,141	1,873	394	308	166	149
Depreciation and obsolescence	30,170	27,113	5,563	6,331	893	1,100	673	760
Capital reserves and E.P.T. refunds	32,675	46,181	3,133	423	664	1,094	194	198
Other provisions	1,387	1,689	53	30	...	...	8	8
Current liabilities and creditors	11,944	12,036	5,580	6,764	1,271	1,150	526	467
Revenue res. and carried forward	12,085	13,231	12,097	13,454	1,277	1,142	478	503
Net balances due to subsidiaries	1,409	1,931	16	...	...	...	2	...
Minority interests	1,409	1,931	16	...	...	...	2	...
Debitum capital	50	2,895	2,825	1,000	1,000	...	...	...
Preference capital	4,423	9,423	6,628	6,628	157	154	...	...
Ordinary capital	50,991	50,991	7,527	10,544	1,629	1,629	1,610	1,610
Total Liabilities	163,672	175,224	48,174	52,363	7,289	7,701	4,237	4,551

* This group includes entertainment, hotels and restaurants, canals and docks, electricity supply, gas, telegraphs and telephones, trams and buses, warehousing, coal, finance and land and investment trusts.

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Oct. 1st	Western Europe	Oct. 1st
Production and Consumption	Oct. 8th	Production and Trade.....	Oct. 17th
Manpower.....	Sept. 17th	British Commonwealth	Oct. 8th
External Trade.....	Sept. 24th	Western Europe	Sept. 17th
Financial Statistics	This week	Prices and Money Supply	Sept. 24th
Industrial Profits	This week	United States	Sept. 24th
World Trade.....	This week		

World Trade

(Million US Dollars)

	Exports (f.o.b.)					Imports (c.i.f.)				
	1938	1953	1954	Annual Rate		1938	1953	1954	Annual Rate	
				Jan. to Mar., 1955	Apr. to June, 1955				Jan. to Mar., 1955	Apr. to June, 1955
WORLD	20,843	74,796	77,332	80,115	...	23,556	76,443	79,335	85,100	...
Total (1)	5,626	18,452	18,790	20,370	...	7,784	19,974	20,611	23,584	...
STERLING AREA	2,603	7,525	7,771	8,666	7,570	4,496	9,361	9,462	11,281	10,185
United Kingdom	866	3,230	3,389	3,600	...	903	3,599	3,552	3,900	...
UK dependencies	185	480	424	424	484	188	678	601	654	559
Hong Kong	328	987	1,016	1,257	1,184	315	1,058	1,026	1,197	1,177
Malaya and Singapore	52	226	294	367	...	50	207	201	253	...
Gold Coast	47	348	418	422	...	42	303	319	368	...
Nigeria	2,157	7,697	7,630	8,104	...	2,385	7,014	7,597	8,403	...
Other sterling countries	630	1,977	1,659	1,873	1,732	527	1,471	1,869	2,217	2,250
Australia	104	329	380	448	352	86	338	293	299	309
Ceylon	621	1,116	1,182	1,279	1,104	575	1,197	1,259	1,424	1,290
India	621	439	359	422	398	349	325	353	257	257
Pakistan	68	407	436	510	...	46	192	204	236	...
Iraq	119	319	322	326	274	203	512	504	610	557
Ireland	225	650	720	760	...	225	638	...	778	...
Kuwait	50	266	683	707	762	28	163	...	...	...
New Zealand	5	20	411	311	312	4	21	393	380	410
Northern Rhodesia	30	165	912	1,018	938	51	244	1,365	1,515	1,480
Nyasaland	161	825	912	1,018	938	503	1,310	1,365	1,515	1,480
Southern Rhodesia	...	...	...	...	...	...	...	...	...	...
Union of South Africa	...	...	...	...	...	...	...	...	...	...
EPU COUNTRIES	6,585	18,452	21,481	22,864	23,582	7,803	21,294	23,049	25,980	26,754
Total continental countries	733	2,251	2,300	2,703	2,658	765	2,405	2,535	2,762	2,715
Belgium-Luxembourg	334	895	948	1,017	1,006	354	1,000	1,163	1,184	1,132
Denmark	881	3,782	4,189	4,646	4,849	1,324	3,942	4,215	4,494	4,911
France	553	4,390	5,249	5,624	5,912	...	3,771	4,571	5,218	5,571
Germany, Federal Republic	553	1,507	1,636	1,622	1,787	593	2,420	2,401	2,644	2,679
Italy	594	2,152	2,412	2,535	2,510	803	2,383	2,857	3,135	3,064
Netherlands	192	509	583	651	603	292	912	1,019	1,151	1,088
Norway	464	1,480	1,588	1,502	1,685	525	1,579	1,777	1,988	1,960
Sweden	301	1,201	1,225	1,198	1,264	365	1,176	1,300	1,390	1,482
Switzerland	115	396	335	355	250	119	632	478	498	558
Turkey	719	2,865	3,067	3,232	...	780	2,947	4,141	4,240	...
Total dependencies (excl. sterling area)	187	715	773	840	...	253	868	966	1,030	...
Netherlands Antilles	...	...	...	...	...	...	...	...	...	...
NORTH AMERICA	4,020	20,378	19,533	19,277	20,191	3,259	16,658	15,652	16,284	17,431
Total	3,102	15,782	15,099	14,976	15,552	2,465	11,834	11,103	11,892	12,054
United States	918	4,596	4,434	4,301	4,639	794	4,824	4,549	4,392	5,377
Canada (2)	...	...	...	...	...	...	...	...	...	...
LATIN AMERICA	1,648	7,801	7,821	7,847	...	1,539	6,527	7,295	7,277	...
Total	683	3,991	4,246	4,504	...	572	3,497	3,671	3,677	...
Dollar countries	143	669	539	629	...	119	529	...	...	...
Cuba	147	536	562	647	650	114	807	800	738	762
Mexico	181	1,445	1,690	1,866	...	107	896	921	924	...
Venezuela	965	3,610	3,575	3,143	...	967	3,030	3,624	3,600	...
Other countries	408	1,148	1,085	...	...	440	863	1,088	...	...
Argentina	289	1,539	1,562	1,191	1,175	295	1,319	1,634	1,404	1,286
Brazil	...	...	...	...	...	...	...	...	...	...
REST OF THE WORLD	2,265	6,048	6,640	4,725	...	2,391	6,043	7,987	7,735	...
Total	147	394	397	436	333	185	508	460	471	506
Egypt	381	840	856	802	835	275	765	629	528	617
Indonesia	146	...	111	265	...	79	...	225	288	...
Iran	767	1,275	1,629	1,730	1,840	759	2,410	2,399	2,304	2,582
Japan (2)	...	...	...	...	...	...	...	...	...	...

Financial Statistics

EXCHEQUER RETURNS

For the eight days ended October 8th there was an "above-line" deficit (after allowing for Sinking Funds) of £7,816,000 compared with a deficit of £18,118,000 in the previous six days and a deficit of £23,732,000 in the corresponding period of last year. Net expenditure "below line" reached £10,936,000 bringing the total cumulative deficit to £558,977,000 (£453,540,000 in 1954-55).

£'000	Estimate, 1955-56	April 1, 1954 to Oct. 9, 1954	April 1, 1955 to Oct. 8, 1955	Nine days ended Oct. 9, 1954	Eight days ended Oct. 8, 1955
Ord. Revenue					
Income Tax	1877,400	482,448	492,112	15,319	14,246
Sir Tax	136,000	33,500	30,100	1,800	900
Death Duties	185,000	36,400	35,000	5,200	5,400
Stamps	74,000	36,870	38,800	2,200	1,100
Profits Tax & E.P.T.	180,000	91,700	103,200	7,900	10,600
Excess Profits Levy	25,000	47,600	13,500	2,400	200
Special Contribution and other	1,000	680	300	...	50
Inland Revenue					
Total Inland Rev.	2478,400	789,398	772,812	32,819	30,796
Customs	1131,700	583,610	597,322	28,021	29,116
Excise	796,050	577,590	416,025	17,555	18,545
Total Customs and Excise	1927,750	961,200	1013,347	45,576	47,661
Motor Duties	80,000	15,395	17,895	496	572
PO (Net Receipts)	25,000	7,450	9,100	...	...
Broadcast Licences	24,000	19,694	22,593	41	45
Sundry Loans	175,000	75,612	65,487	8,795	6,517
Miscellaneous					
Total	4710,150	1868,749	1902,299	87,127	85,391
Ord. Expenditure					
Debt Interest	600,000	296,969	329,293	25,545	27,924
Payments to N. Ireland Exchequer	53,000	24,394	28,259	1,747	2,007
Other Cons. Fund	10,000	4,450	...	...	...
Supply Services	3862,875	1747,628	1747,191	33,300	62,750
Total	4525,875	2073,441	2110,684	110,592	92,683
Sinking Funds	36,000	18,210	17,998	267	524
"Above-line" Surplus or Deficit		222,902	226,383	23,732	7,816
"Below-line" Net Expenditure		210,638	332,594	15,867	10,936
Total Surplus or Deficit		433,540	558,977	40,599	18,802
Net Receipts from:					
Tax Reserve Certificates	202,307	90,461	9,488	11,313	
Savings Certificates	6,100	12,100	600	200	
Defence Bonds	-8,848	-10,558	-1396	-2255	

THE MONEY MARKET

At the Treasury bill tender last week the discount houses bid at £98 19s. 8d. per cent, equivalent to a discount rate of just over 4½ per cent, for the sixth week in succession. The offer was down by £10 million to £270 million, and as applications rose slightly to £361.4 million the market's allotment fell back from 70 to 66 per cent. At yesterday's tender the offer was reduced by a further £10 million, but maturities next week will fall by £20 million, to the same level as new bills.

The credit stringency in Lombard Street has continued through the past week; rates for overnight money have ranged up to 4½ per cent, and December maturities have been resold by discount houses at 4½ per cent (though the more general rate has been 4½ per cent). Three or four houses were "in the Bank" on Thursday before the weekend, and one or two, for a very small amount, on Wednesday of this week. Special purchases by the Bank were necessary on Saturday and Tuesday.

Sterling topped \$2.79 this week, and the discount on sterling three months forward narrowed to 1½-1¾ cents.

The price of silver in London has risen to 80½d. an ounce cash. The gold price has fallen to around 250s. 7d. a fine ounce.

The Bank return shows a reflux of notes of £1.5 million.

LONDON MONEY RATES

Bank rate (from 3½% 24/2/55)	%	Discount rates	%
Bank bills: 60 days	4½	Bank bills: 60 days	4½
Deposit rates (max)		3 months	4½
Banks	2½	4 months	4½
Discount houses	2½	6 months	4½
Money Day-to-day	2½	Fine trade bills: 3 months	5-5½
Short periods	2½	4 months	5-5½
Treas. bills 2 months	4½	6 months	5½-6
Treas. bills 3 months	4½		

* Call money.

BANK OF ENGLAND RETURNS

	1954	1955
	Oct. 13	Oct. 5
Issue Department:		
Notes in circulation	1,637.9	1,769.5
Notes in banking dept.	37.5	30.9
Govt. debt and securities	1,671.2	1,796.2
Other securities	0.8	0.7
Gold coin and bullion	0.4	0.4
Coin other than gold coin	3.0	3.0
Banking Department:		
Deposits:		
Public accounts	17.7	14.8
Treasury special account	6.3	2.6
Bankers	281.0	250.7
Others	64.6	67.0
Total	369.6	334.9
Securities:		
Government	331.2	270.6
Discounts and advances	1.9	36.7
Other	14.4	16.5
Total	347.5	323.8
Banking department reserve	39.8	33.3
"Proportion"	10.7	9.8

* Government debt is £11,015,100, capital £14,555,000. Fiduciary issue reduced to £1,800 million from £1,825 million on September 7th, 1955.

TREASURY BILLS

Date of Tender	Offered (£ million)	Applied For (£ million)	Allotted (£ million)	Average Rate of Allotment s. d.	Allotted at Max. Rate %
1954 Oct. 8	280.0	417.7	280.0	31 11-50	58
1955 July 8	280.0	403.8	280.0	79 4-60	56
" 15	260.0	383.4	260.0	79 4-88	55
" 22	230.0	361.4	240.0	79 4-98	55
" 29	240.0	344.2	240.0	79 5-08	60
Aug. 5	240.0	350.8	240.0	80 0-42	56
" 12	240.0	350.4	240.0	80 1-13	58
" 19	270.0	380.1	270.0	80 1-28	62
" 26	280.0	388.4	280.0	80 1-10	61
Sept. 2	290.0	362.9	290.0	81 3-78	70
" 9	300.0	381.1	290.0	81 4-67	64
" 16	280.0	344.8	290.0	81 5-52	80
" 23	280.0	359.7	280.0	81 5-14	69
" 30	280.0	359.4	280.0	81 5-33	70
Oct. 7	270.0	361.4	270.0	81 5-25	66

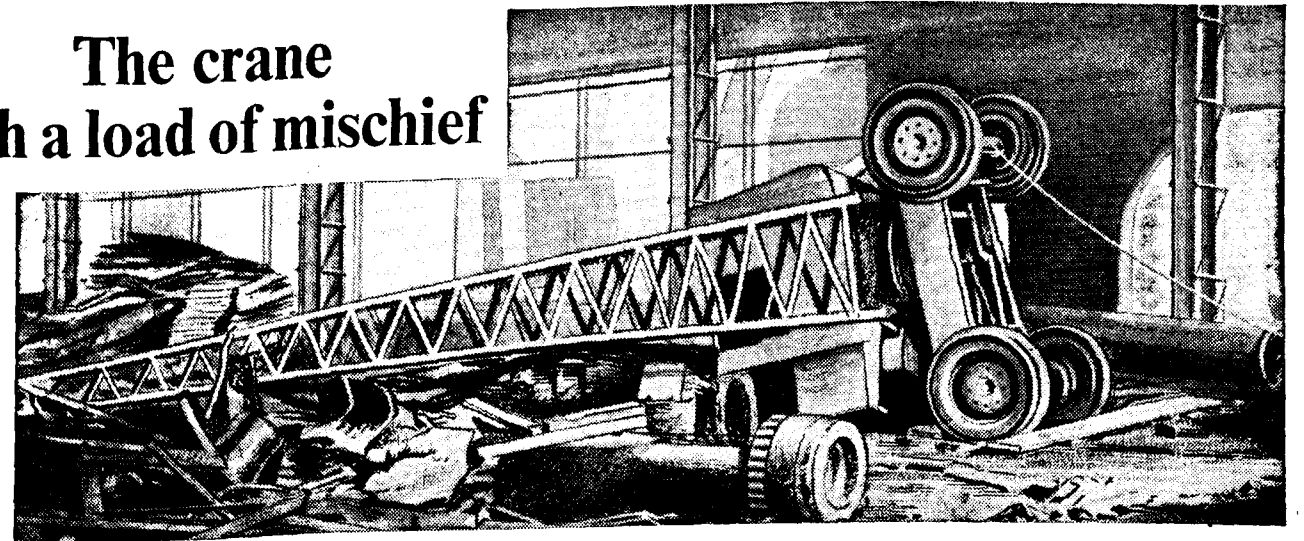
* On Oct. 7th tenders for 91 day bills at £98 19s. 8d. secured about 66 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £260 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
	Oct. 12	Oct. 6	Oct. 7	Oct. 8	Oct. 10	Oct. 11	Oct. 12
United States \$	2-78-2-82	2-78-2-79	2-78-2-79	2-78-2-79	2-79-2-79	2-79-2-79	2-79-2-79
Canadian \$	972-65-987-35	983-983	983-983	983-983	983-983	983-983	983-983
French Fr.	12-15-12-33	12-20-12-21	12-21-12-21	12-21-12-21	12-21-12-21	12-21-12-21	12-21-12-21
Swiss Fr.	138-95	139-40	139-45	139-45	139-40	139-42	139-40
Belgian Fr.	141-05	139-45	139-50	139-50	139-45	139-47	139-46
Dutch Gld.	10-56-10-72	10-60-10-60	10-60-10-60	10-60-10-60	10-60-10-61	10-60-10-61	10-60-10-60
W. Ger. D-Mk.	11-67-11-84	11-72-11-72	11-72-11-72	11-72-11-72	11-72-11-73	11-72-11-73	11-72-11-72
Portuguese Esc.	79-90-81-10	80-00-80-20	80-00-80-20	80-00-80-20	80-00-80-20	80-00-80-15	80-00-80-15
Italian Lire	17361-17621	17461-17471	1749-1750	17501-17511	1753-1754	1755-1756	1755-1756
Swedish Kr.	14-37-14-59	14-43-14-43	14-43-14-43	14-43-14-43	14-43-14-43	14-43-14-43	14-43-14-42
Danish Kr.	19-19-19-48	19-33-19-33	19-33-19-34	19-33-19-34	19-32-19-33	19-32-19-32	19-32-19-32
Norwegian Kr.	19-85-20-15	19-99-20-00	19-99-20-00	19-99-20-00	19-99-20-00	19-99-20-00	19-99-20-00
One Month Forward Rates							
United States \$	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm
Canadian \$	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm
French Fr.	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm
Swiss Fr.	2-1-1 c. pm	2-1-1 c. pm	2-1-1 c. pm	2-1-1 c. pm	2-1-1 c. pm	2-1-1 c. pm	2-1-1 c. pm
Belgian Fr.	4-1-1 c. pm	4-1-1 c. pm	4-1-1 c. pm	4-1-1 c. pm	4-1-1 c. pm	4-1-1 c. pm	4-1-1 c. pm
Dutch Gld.	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm
W. Ger. D-Mk.	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm	1-1-1 c. pm
Italian Lire	3-1-1 c. pm	3-1-1 c. pm	3-1-1 c. pm	3-1-1 c. pm	3-1-1 c. pm	3-1-1 c. pm	3-1-1 c. pm
Swedish Kr.	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm
Danish Kr.	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm
Norwegian Kr.	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm	10-1-1 c. pm
Price (s. d. per fine oz.)	250/9½	250/8			250/7½	250/7	250/7½
					Gold Price at Fixing		

VULCAN INSPECTS—AND PROTECTS

The crane with a load of mischief



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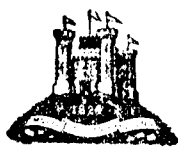
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COMPANY MEETINGS

DAVY AND UNITED ENGINEERING COMPANY

MR D. F. CAMPBELL REVIEWS PROSPECTS

The eighty-second annual general meeting of the Davy and United Engineering Company Limited was held on October 7th at the Royal Victoria Station Hotel, Sheffield.

Mr D. F. Campbell, the Chairman, who presided, said:

Stockholders will learn with regret of the recent death of Mr K. C. Gardner, at the age of 78 years, who was a Director of this Company for 16 years and Chairman of our American Associates, United Engineering and Foundry Company. We have always been grateful to our American friends, and to Mr Gardner in particular, who was an outstanding personality in the engineering world, for their assistance in the development of the strip mill, which has revolutionised the tin-plate industry. His death will be keenly felt by his many friends on both sides of the Atlantic.

YEAR'S FINANCIAL RESULTS

The financial results of the year under review are shown in the Accounts and summarised in the Report of the Directors. Stockholders will note that the Trading Profit of the Group has increased from £551,742 to £626,153 and that the net profit, after the deduction of provisions, is increased from £264,862 to £365,014. The Directors feel that past results and future prospects justify an increase in the dividend from 10 per cent to 12½ per cent on the capital increased as a result of last year's Rights Issue.

I am glad to be able to report a further improvement in the productivity of our manufacturing plants, which is due not only to the consistent policy of plant renewal and the maintenance of productive assets at a high pitch of efficiency, but also to advances in manufacturing technique. Added to this, your Company is served by a fine body of staff and workpeople, whose enthusiasm and hard work have contributed much to the year's results. On your behalf, I offer them our warm thanks for their efforts and devotion.

LARGE ORDERS FOR STRIP MILL EQUIPMENT

In my Statement two years ago, I referred to the large orders for strip mill equipment which we had received from Richard Thomas and Baldwins Limited, and the Steel Company of Wales Limited. The wisdom of these companies in deciding to extend their plants at that time is amply justified by the large and increasing demand for thin flat rolled products which has taken place. This year it is estimated that 80,000 tons of duty-free tinplate will be imported, in spite of the continuing use of obsolete mills which must soon be abandoned or replaced. I am glad to say that the 5-stand Tandem and Temper Mills for the Ebbw Vale Steel Works were delivered promptly in accordance with our contract undertaking and that the similar mills for the Velindre Works of the Steel Company of Wales, while not yet due for delivery, have progressed fully in accordance with our manufacturing programme.

We have also put to work new rolling mill installations in Norway, Sweden, Italy, Australia and India, whilst several other important export contracts have been shipped,

notably to Turkey and again to India. This is a reflection of the large volume of export trade which your Company is undertaking.

COMPETITION IN EXPORT FIELD

International competition in the export field is becoming ever more severe and several of the projects which lie before us involve questions of payment on deferred terms. Indeed, the availability of credit for capital goods required by the so-called under-developed countries in particular is checking the flow of exports and there is a continuing need for the assistance given by the Government in this respect. Competition in credit facilities from Germany and France is especially serious, while the large quantity of dollars made available to foreign countries by the USA has diverted to America orders which might have come to this country under normal conditions.

We have, however, recently secured additional export contracts in Australia and in Sweden, and the prospects of further orders, both at home and abroad, continue to be good. Great care and judgment have to be exercised to determine what foreign contracts are truly advantageous.

SUGAR MACHINERY

The Sugar Machinery Department of our Duncan Stewart subsidiary has had a satisfactory year and the successful commissioning of a number of Continuous Beet Diffusers for the British Sugar Corporation is noteworthy.

Davy and United Roll Foundry has also made a substantial contribution to Group Profits from the sales of rolls and steel castings. Much consideration is being given to the development of your roll business, as rolls are consumable and their manufacture is a regular source of income during periods when capital expenditure on major installations may slacken. Consequently, this branch of the business adds stability to the Company's profitability. The output of spare parts, which are a valuable source of income, increases as new large units of equipment are put into service.

ENGINEERING RESEARCH

The new Engineering Research Department, to which I referred last year, has contributed to the successful results. Much light has been thrown on abstruse technical problems relating to the strength of rolling mill structures, by the use of strain gauges and other modern methods of investigation, and the manufacture of special instruments has become established, constituting a small but profitable department.

We still have an order book of great magnitude which, if all goes well, should yield good financial results during the next two years, and the shortage of thin flat rolled steel in the United Kingdom suggests the continuing need for steelworks expansion, of which your Company may reasonably expect to secure a share.

MEETING CHANGING CONDITIONS

Being mainly engaged in the construction of heavy machinery for the metal and sugar

industries, any question of disarmament will have little effect on your Company's activities. Your Management are frequently reassessing the probable market conditions two or three years ahead and adapting their technical and manufacturing resources accordingly.

Science and technology are moving at a great pace, but there are no indications of any slackening in the demand for wrought metals, or for the heavy machinery for the working of metals, which is the mainstay of your Company.

The report and accounts were adopted and the other formal business having been transacted, the proceedings terminated.

E. W. TARRY & COMPANY

ENCOURAGING PROSPECTS

The annual general meeting of E. W. Tarry & Company, Limited, was held on October 12th in London, Sir Harold F. Flannery, Bart (the Chairman), presiding.

The following is an extract from his circulated statement:

The turnover for the past financial year reached a record figure, yet the Trading Profit at £110,326 is lower by £31,242 than that of the previous year.

The main reason for this is that certain branches were unable to maintain profit margins at their previous levels because of intensive competition and also owing to the continued rise in costs throughout the organisation.

In view of the decrease in the net profits, the Directors recommend a dividend of 12½ per cent on the Ordinary shares.

Now that Import Control is being gradually relaxed, the demand for overseas goods has increased and the need for more working capital became pressing. It has also been found necessary to extend and modernise the Company's premises at several branches. Consequently, in April last, arrangements were made to raise a First Mortgage Debenture Issue of £350,000 at par, bearing interest at 5½ per cent, the redemption to commence on March 31, 1961, and be completed by March 31, 1980. The Issue was made privately, and the proceeds were applied in paying off our indebtedness to the Bank, and the balance invested to be utilised as and when required.

The turnover for the first five months of the current year is higher than that of the corresponding period last year, and with the development and increasing wealth of the Union and the Rhodesias the prospects can be looked upon as encouraging.

The report was adopted.

BINDING CASES

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British Films' Continued Success

Record Group Trading Results—Export Rise Continues

NET ASSETS NOW EXCEED £9,000,000

Manufacturing activities progress—but exhibition still bears unreasonable tax burden

The eighteenth annual general meeting of Odeon Theatres Limited and the Annual Meetings of its subsidiary companies, British and Dominions Film Corporation Limited, Gaumont-British Picture Corporation Limited, Odeon Associated Theatres Limited, and Odeon Properties Limited, were held on October 7 at the Dorchester Hotel, London.

Mr. J. Arthur Rank, D.L., J.P., the chairman, presided.

The following is an extract from his statement which had been circulated with the report and accounts:—

The Group Accounts, which I now present, disclose a further improvement in trading profits and a satisfactory financial position. The results, once again, constitute a record.

There have been many problems to face during the year, including the full cost of the wage increases granted last year and in particular television. In the last three years almost three million new licences have been issued creating materially increased competition. Fortunately, a modest revision in entertainment duty granted in the 1954 Finance Act, and the consequent adjustment of admission prices, coupled with a stringent control of outgoings, enabled us to show a net gain in exhibition profits.

Profits on film production and distribution were largely maintained and our policy of Group film production has certainly been justified.

The further improvement in the profits of the Group manufacturing activities is most satisfactory, and this now constitutes an important side of our business.

Odeon Theatres Limited

The Capital and Revenue Reserves at June, 1955, amounted to £5,724,014, of which £3,107,109 appears in the separate Balance Sheet of Odeon Theatres Limited, and compare with an Issued Ordinary Capital of £946,991.

Bank Loans and Overdrafts amounted to £4,190,515 at June, 1955, and show a further reduction compared with the previous year.

I mentioned last year that additional bank facilities of almost £1,000,000 had been employed in financing the Group Film Production Scheme, and this position still exists.

During the year substantial capital expenditure has been incurred, as a result of which the Group is being materially strengthened and I am happy that our financial resources are sufficiently strong to enable the Group to expand when opportunity offers.

In spite of the extension in the Group's interests you will see that, in fact, the bank indebtedness has been reduced during the year by £977,284.

Turning to the Assets Side of the Balance Sheet, Freehold and Leasehold Land and Buildings, the total cost, etc., of these fixed assets at June, 1955, was £58,342,626.

Cinema Theatres are included in the above total at a net book value of some £36,000,000

represented by 594 theatres in the UK and 141 theatres overseas. The replacement value of these theatres at present day costs would be vastly in excess of book value.

The total trading profits show a substantial increase at £8,727,035 compared with £7,704,084 for the previous year. This constitutes another record. After providing £1,618,674 for depreciation, and charging interest, etc., the Group profit for the year is £6,606,988, compared with £5,524,129 for the previous year.

Taxation still constitutes a heavy burden and requires £3,653,815, leaving a net Group profit after tax of £2,953,173 compared with £2,264,655.

After deducting the proportion of net profits applicable to outside shareholders, the net Group profit attributable to Odeon Theatres Limited is £1,327,939 compared with £1,031,080.

The statement then reviews the activities of Odeon Associated Theatres Limited, Odeon Properties Limited, Gaumont-British Picture Corporation Limited and British and Dominions Film Corporation Limited, and continues:—

British Optical & Precision Engineers Limited

This Company and its subsidiaries had a successful year's trading due to a marked expansion in turnover in which all sides of the Group's business contributed.

The Trading Profits for 1954 amounted to £1,399,284 compared with £652,884 in 1953. The available net balance was £310,400 compared with £160,584.

We have continued to make progress in our overseas markets. Exports in 1954 were more than 40 per cent. above those of 1953. It appears from figures recently published by the Board of Trade that our Group is now delivering approximately 70 per cent. of the export turnover of this country in the products which it handles.

Cinema-Television Limited and Bush Radio Limited

Cinema-Television Limited and its wholly owned subsidiary company Bush Radio Limited, have had a further year's successful trading. The policy of developing and broadening the business of the Parent Company has been continued.

The Consolidated Profit and Loss Account shows net Group profit of £428,764, compared with £305,650.

The increasing interest overseas in the Company's products has been particularly gratifying.

Bush Radio Limited continues to achieve a record turnover and record profits. Prospects as regards television are good.

Theatre Publicity Limited Screen Audiences Limited

J. Arthur Rank Screen Services Limited
I am happy to say that under the direction of the Managing Director, Mr. Gerard

Holdsworth, the Companies have had a record year and the facilities which they have to offer to advertisers, advertising agents and the public have received great appreciation.

We are taking an active interest in the making of films for Television and have formed a "live" television unit.

Personnel

In previous years I have paid tribute to the services rendered to the Group by Mr. John Davis, the Deputy Chairman and Managing Director. I would like to emphasise the very great contribution he has made in the achievement of the satisfactory financial and trading position which this Group now enjoys.

On behalf of the Boards of the various companies and of the shareholders generally I would like to thank him for his outstanding services during the year.

I am satisfied that we have now in the Group an able team of Executives in all Departments who are receiving enthusiastic and wholehearted support from the whole of our manpower in this country and overseas. I, on your behalf, as well as on behalf of my colleagues and myself, would like to thank each one of them for the part which they have played in furthering the activities of the Group.

We have continued with our Pension, Medical and other Welfare Schemes for the benefit of our employees.

Film Production—British Film Production Fund

Our production programme, which is achieving a measure of success, would not have been possible without the aid of this Fund. I reiterate what I said last year, that it is my considered opinion that British production cannot be maintained on an economic basis over a period without financial assistance so long as we do not receive a reasonable share of revenue from the American market, particularly bearing in mind the large sums which that country receives from the exhibition of their films in this country.

The Fund was due to expire in August last: after considerable discussion within the Industry the arrangements were renewed upon a voluntary basis for a further period of three years.

I regard it as a matter of major importance that the future of the Fund be set up in such a manner that its continuity will be assured.

Our theatres played during the year 40 programmes where the first feature was a British film. Of these 19 were films made and financed by us, so that you will see that over half of the British films played by us were ones in which we had no financial interest and were made by Independent Producers.

Entertainment Tax

The unreasonable burden of Entertainment Tax remains with us. In this country

our Group took at the box-office last year £29,461,579 and paid in Entertainment Tax £10,376,630, being 35.22 per cent. of the year's receipts.

It is in the national interest, as well as of this Industry, that this problem receives sympathetic consideration by the Chancellor of the Exchequer, particularly in view of the pending increase in competition from sponsored television. It could follow that unless the problem is tackled in time the net result would be a material loss of revenue to the Exchequer.

Exhibition

Domestic. We have equipped all our theatres with large screens, variable anamorphic lens, etc., which enables us to play any type of product, CinemaScope, VistaVision, etc.

I am pleased to tell you that of the 24 best box-office attractions played on our two circuits during the year 12 were British and 12 were American and the receipts from these two groups were almost exactly equal.

Overseas. Our overseas theatres, both those directly operated by us and those in which we are in association with partners, have with one exception continued to make progress, some of them having a record year.

Distribution

Domestic. This is the fourth year in succession that our distribution company has shown an increase in its total turnover.

Overseas—

Eastern Hemisphere. We have continued to make progress in the distribution of our films in overseas markets.

Western Hemisphere—United States. It is with regret that I have to report that in our opinion we are still not receiving a fair return from that market.

Dividends

Gaumont-British propose 15 per cent. as against 12½ per cent. a year ago. British

and Dominions Film Corporation propose 6½ per cent. as against 5 per cent. a year ago. Cinema-Television Limited propose 45 per cent. as against 30 per cent. a year ago. British Optical & Precision Limited has paid an Ordinary Dividend of 15 per cent. for the year ended December 31, 1954, compared with 5 per cent. for 1953.

Dealing now with Odeon Theatres Limited I think that the continued progress of the Company justifies the payment of an increased Ordinary Dividend. The Board therefore recommend that the Ordinary Dividend for the year ended June, 1955, should be at the rate of 25 per cent. on the existing Ordinary Shares of the Company as against 15 per cent. last year.

Capitalisation Proposals

It is obvious that the Issued Ordinary Capital of Odeon Theatres Limited, namely £946,991, is entirely out of line with the equity capital employed. The Group Reserves applicable to Odeon Theatres Limited at June, 1955, amount to £5,724,014 and the proportion of such Reserves in the separate Balance Sheet of Odeon Theatres Limited amounts to £3,107,109.

It is therefore proposed to capitalise £946,991 of the existing Reserves and to issue new free Ordinary Shares to the shareholders of Odeon Theatres Limited on a one-for-one basis.

It is also proposed to create 8,000,000 non-voting "A" Ordinary Shares of 5/- each, having the same rights as the existing Ordinary Shares except as to voting, which will be available for issue for cash or as consideration for the acquisition of further interests.

If this proposal is approved by the shareholders at the Annual Meeting, then it is proposed to issue approximately 5,500,000 of these shares, such shares being offered to the existing Ordinary shareholders upon suitable terms which will be governed by the market conditions at the time of issue.

The proceeds of the proposed issue, which has the sanction of the Capital Issues Com-

mittee, will be applied in reduction of bank indebtedness.

Change of Name—Odeon Theatres Limited

The world-wide distribution and exhibition of the films made by the Group has built up a very valuable trade name and trade mark, coupled with the "man-with-the-gong" symbol. We are therefore proposing a resolution at the Annual Meeting to change the name of the Company to "The Rank Organisation Limited," which title in our opinion will be more representative of the activities of this Company.

The Future

I am certain that the cinema will continue to occupy an important part in the life of the people of this country and of people throughout the world. The competition of television and other alternative forms of entertainment is a healthy factor of which we need have no fears provided we maintain the entertainment value of our films and the comfort and efficient service of our theatres.

I cannot prophesy the future as regards our trading results, but I am satisfied that each year the Group's position is being strengthened. I have no doubt that in the absence of circumstances beyond our control we shall give a good account of our activities in the future.

At the meeting of Odeon Theatres Limited the report and accounts were adopted, and at separate class meetings followed by an extraordinary general meeting the Board's proposals regarding the company's capital and alterations to the Articles of Association were approved. Agreement was also given to the proposed change of name to "The Rank Organisation Limited."

At meetings of each of the other companies, the report and accounts were adopted.

* A copy of the Chairman's full statement and Annual Accounts may be obtained from The Rank Organisation Limited, 38 South Street, London, W.1.

MANUFACTURING INTERESTS...

"The further improvement in the profits of the Group's manufacturing interests is most satisfactory, and this now constitutes an important side of our business."



Taylor, Taylor & Hobson Ltd. manufacture the finest lenses in the world. They also make engraving machines, one of which is seen here engraving the name and details on a lens mount.

ENTERTAINMENT TAX...

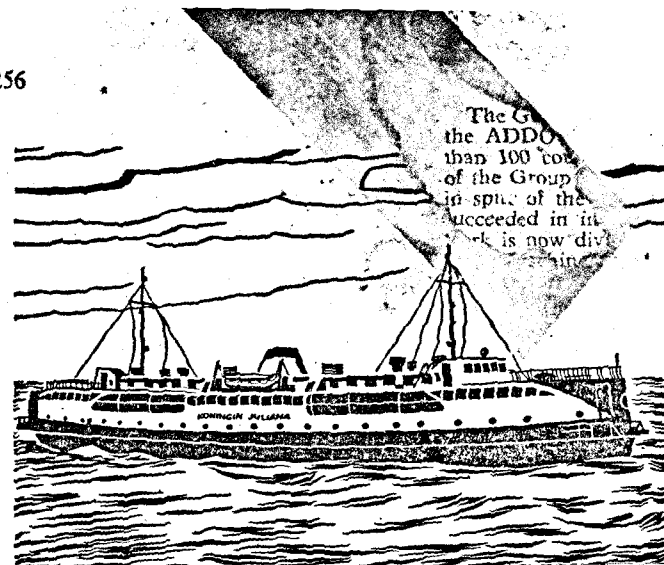
"Unless this problem is tackled in time the net result would be a material loss of revenue to the Exchequer."

Each £1 taken at the box office of all Cinemas in the United Kingdom in 1954 was divided in the following way		
6/6	ENTERTAINMENT TAX	
2/11	PRODUCTION Paid to the producer via the distributor for hire of film.	
6d	BRITISH FILM PRODUCTION FUND Levy to central fund divisible between producers of British films.	
1/8	DISTRIBUTION Print and other distribution costs. Distributors' remuneration to meet selling and administrative expenses, etc.	
8/5	EXHIBITION The sum available to the Exhibition Industry to cover all operating and administrative expenses, service of capital invested and maintenance and replacement of buildings and equipment.	

Diagram based on Board of Trade Statistics of division of Box Office takings



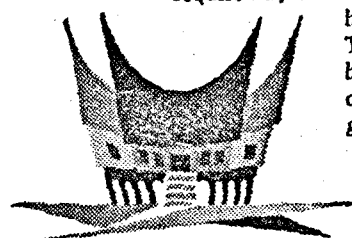
To help enlarge the circle of Britain's friends, no less than to provide good entertainment, is both the business and the privilege of
THE RANK ORGANISATION LIMITED



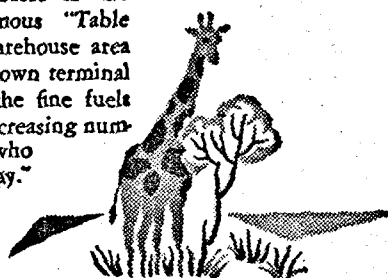
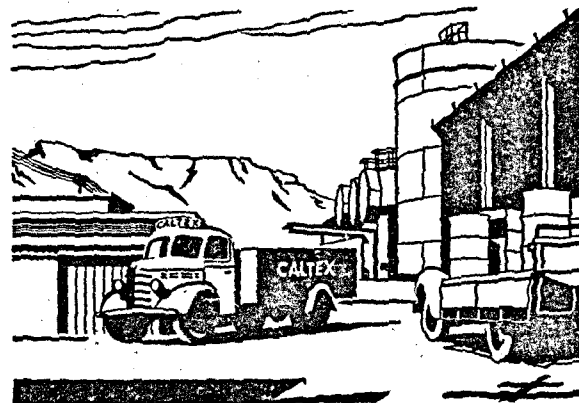
HOLLAND—Typical of Holland's modern transportation facilities is the "Koningin Juliana." This palatial Diesel-powered ferry carries 75 automobiles and trucks and 2,000 passengers between the islands of Zeeland province. The "Koningin Juliana" is lubricated exclusively with Caltex products. Caltex is proud of its share in such advances in the transportation system of this historic land.



INDONESIA—Exploring and drilling for oil in the Minas field, Caltex employs mostly nationals, a Caltex policy in all lands. Men—like this surveyor's helper—are trained in the many skills required by the oil industry, all of which give high income opportunities. The Republic of Indonesia benefits from development of its resources producing new government revenues.



SOUTH AFRICA—Fabulous land of gold and diamonds, South Africa is experiencing vigorous growth and modernization. Here in the shadow of the famous "Table Mountain" is the warehouse area of the Caltex Cape Town terminal—storage place for the fine fuels and lubricants for increasing numbers of motorists who "Travel the Caltex Way."



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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.



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ONE SHILLING

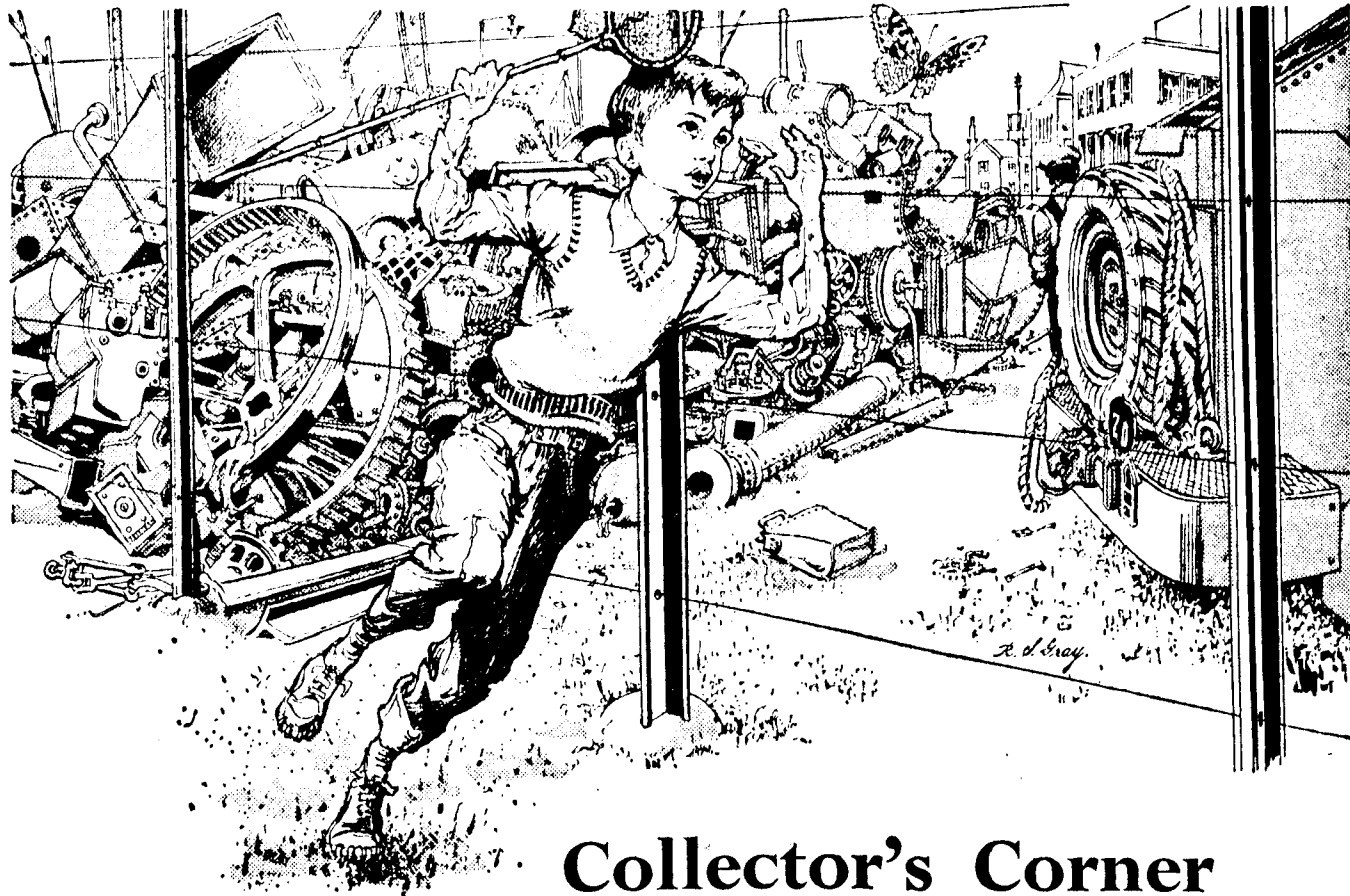
Mr Butler on Trial
Brief Case for Geneva
A Socialist's Faith
Compromise in Capricorn
Recipes for Cotton
Ships and Votes

AMERICAN SURVEY: Prosperity Takes Stock
THE WORLD OVERSEAS: Soviet Plans for the South Pole
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THE ECONOMIST • 22 RYDER STREET • ST. JAMES'S • LONDON • S.W.1

VOLUME CLXXVII • NUMBER 5852



Collector's Corner

A Painted Lady perhaps... what a prize for a youthful collector! But the obsolete machinery and metal scrap in the factory yard is a collector's item, too—for an organisation like Thos. W. Ward Ltd. who have the facilities to handle it on a large scale.

Scrap metal accounts for more than half the metallic charge fed into Britain's iron and steel furnaces. Much of this passes through Wards' depots where mountains of metal are sorted and processed every day.

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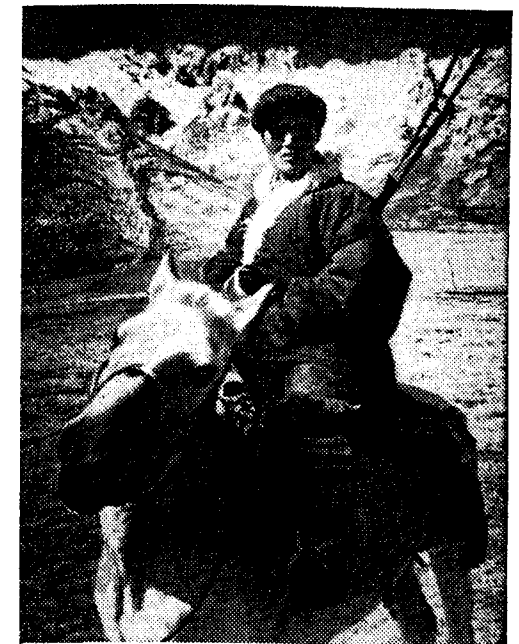
THE MARCHING WIND

LEONARD CLARK's gripping record of a search for a mountain higher than Everest.

A WARTIME PILOT, flying off course in Central Asia with his altimeter showing more than 29,000 feet, found himself looking up at a mountain towering above him. It was Amne Machin. No white man had ever stood on its slopes.

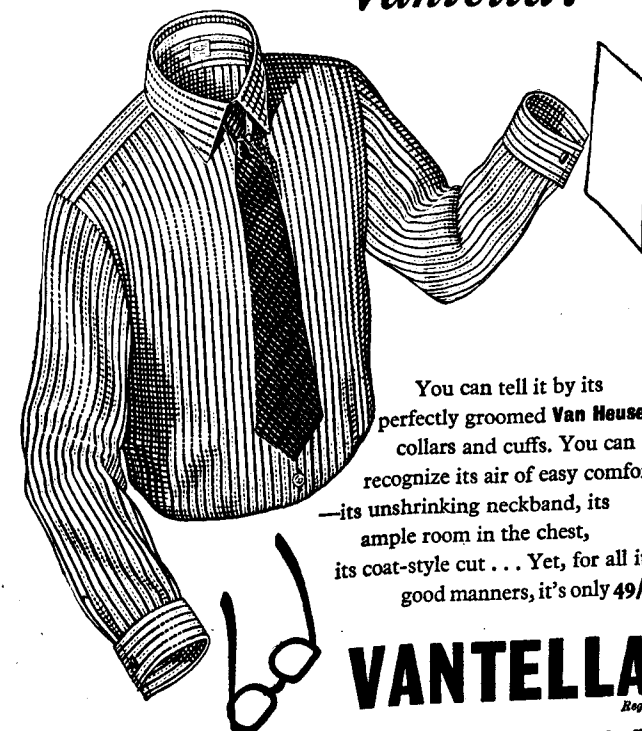
In 1949, Leonard Clark, a tough American explorer, persuaded the Chinese general, Ma Pu-fang, to equip him with an expedition to solve the riddle of this uncharted peak. In his book "The Marching Wind," Clark has told the full story of his incredible journey, of how—dressed for safety in Tibetan clothes—he penetrated the unknown lands north-east of Tibet.

This is an absorbing story of an almost unknown people, of the curious mysticism of the Lamas, of feasting and temples, of savage fighting... above all, of Amne Machin itself, dazzlingly beautiful, worshipped as a god, jealously guarded by fanatical Ngolok tribesmen.



A 16,000-word book condensation of "The Marching Wind" is published as a PRESENTATION SUPPLEMENT in **JOHN BULL** OUT WEDNESDAY, 26th OCT. — 4d.

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You can tell it by its perfectly groomed Van Heusen collars and cuffs. You can recognize its air of easy comfort—its unshrinking neckband, its ample room in the chest, its coat-style cut... Yet, for all its good manners, it's only 49/-

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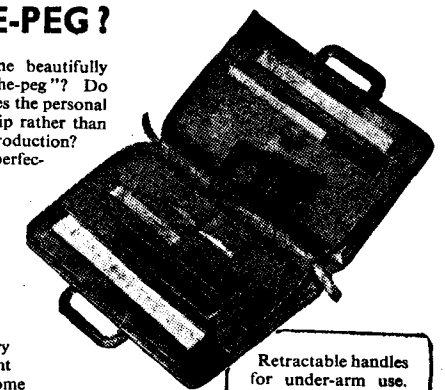
Pattern-card from A/M COTELLA, 1 LONG LANE, SE1

MADE-TO-MEASURE OR OFF-THE-PEG?

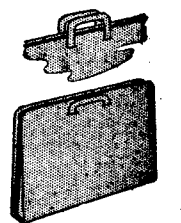
Would you rather have one beautifully tailored suit than ten "off-the-peg"? Do you like something that carries the personal touch of skilled craftsmanship rather than the hurried look of mass-production? Then you are obviously a perfectionist, and when it comes to buying a briefcase only a Unicorn will satisfy you. You will appreciate the superb workmanship of a Unicorn—beautifully stitched and hand-finished in natural leathers and carefully designed to give capacity without bulk; to carry all that a businessman might need yet still retain a handsome slimness.

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Obtainable at the Unicorn Showroom, 39, Burlington Arcade, Piccadilly, W.1. (Phone Hyde Park 8939) or by post direct from the work benches at Woodhill Works, (Dept. E.T.9) Bury, Lancs. Bury 2133. U.S.A. Orders and enquiries: Sterling International, 225 Kearny Street, San Francisco, 8, Cal.



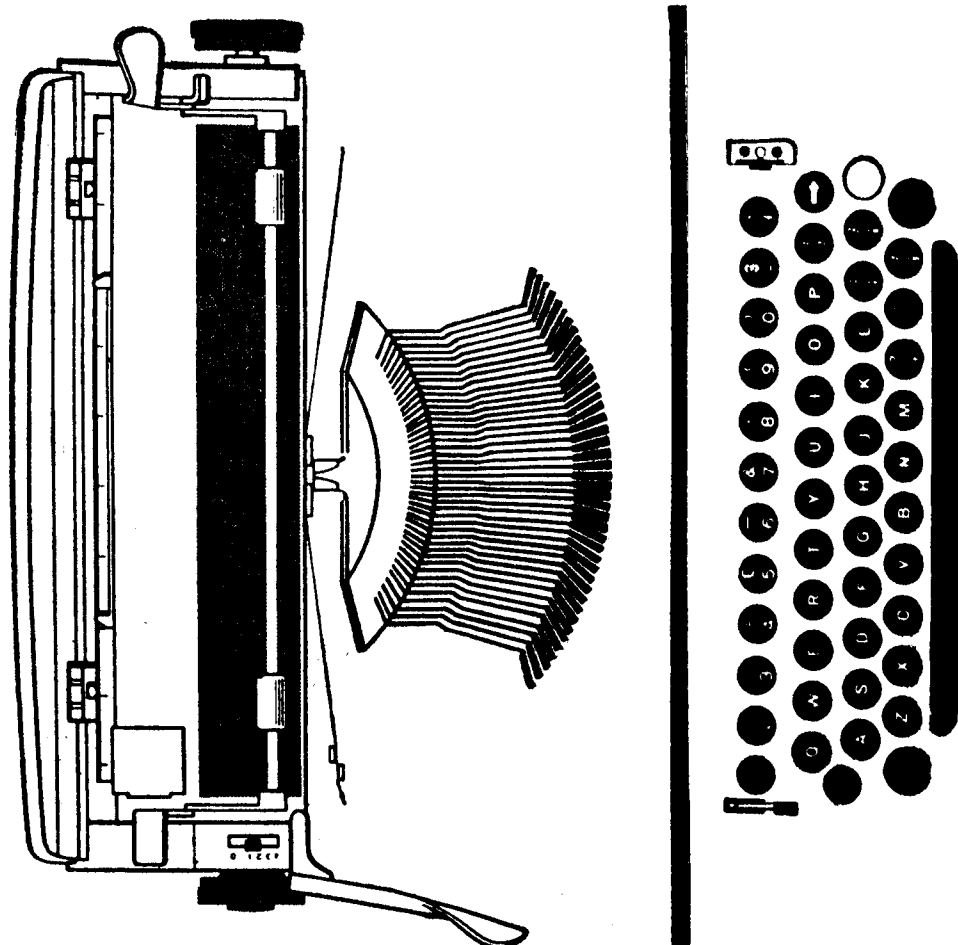
Retractable handles for under-arm use.



Miniature Combination lock—exclusive to Unicorn.



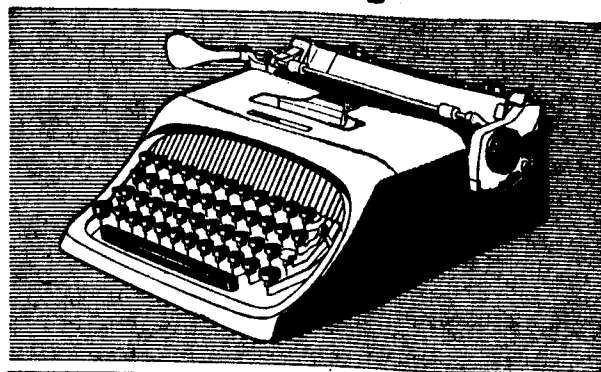
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Mrs. Chapman's busy day



MRS. CHAPMAN is a housewife. Her husband runs a prosperous and expanding firm of builders' merchants in a town not far from the Surrey-Hampshire border. They live with their two small sons in a large house on a wooded slope a few miles out.

Mrs. Chapman has plenty to do, even though she has her own small car in which to get around and a full-time man to look after the garden. The children want watching and there are the hundred and one chores that have to be done even in a modern labour-saving home. Besides, her husband is president of the local ratepayers' association, which means rather a lot of voluntary secretarial work for her in the evenings.

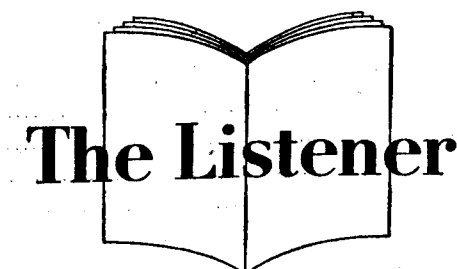
There was quite a stir in the village when she was chosen to represent Surrey in a national floral decoration contest, and a brand-new enthusiasm for 'Sunday painting' has aroused great interest among her colleagues in the Women's Institute. Yes, she is indeed a busy woman.

Mrs. Chapman reads *The Listener*—chiefly for its reports of broadcasts on social problems, for the book reviews, and to keep in touch with the London art exhibitions; but she is always intrigued to discover how interested she becomes in

an article about a foreign country, or some industrial topic. Yet she is but one of thousands* who find that *The Listener* satisfies a need for stimulating and varied reading.

The Listener does have this unique influence among well-informed people, who in their turn enjoy considerable local prestige. Advertisers who wish to appeal directly and economically to a selective market of people of influence and discrimination will find no better medium than the advertisement columns of *The Listener*.

*Certified Weekly Net Sales, Jan.-June 1955, 139,753



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harvests and health

The snake was an ancient symbol of Time and the turning year, with its earth-seasons of spring planting, summer growth, autumn harvest and winter sleep. And the snake of Æsculapius has, since classical times, been a symbol of healing.

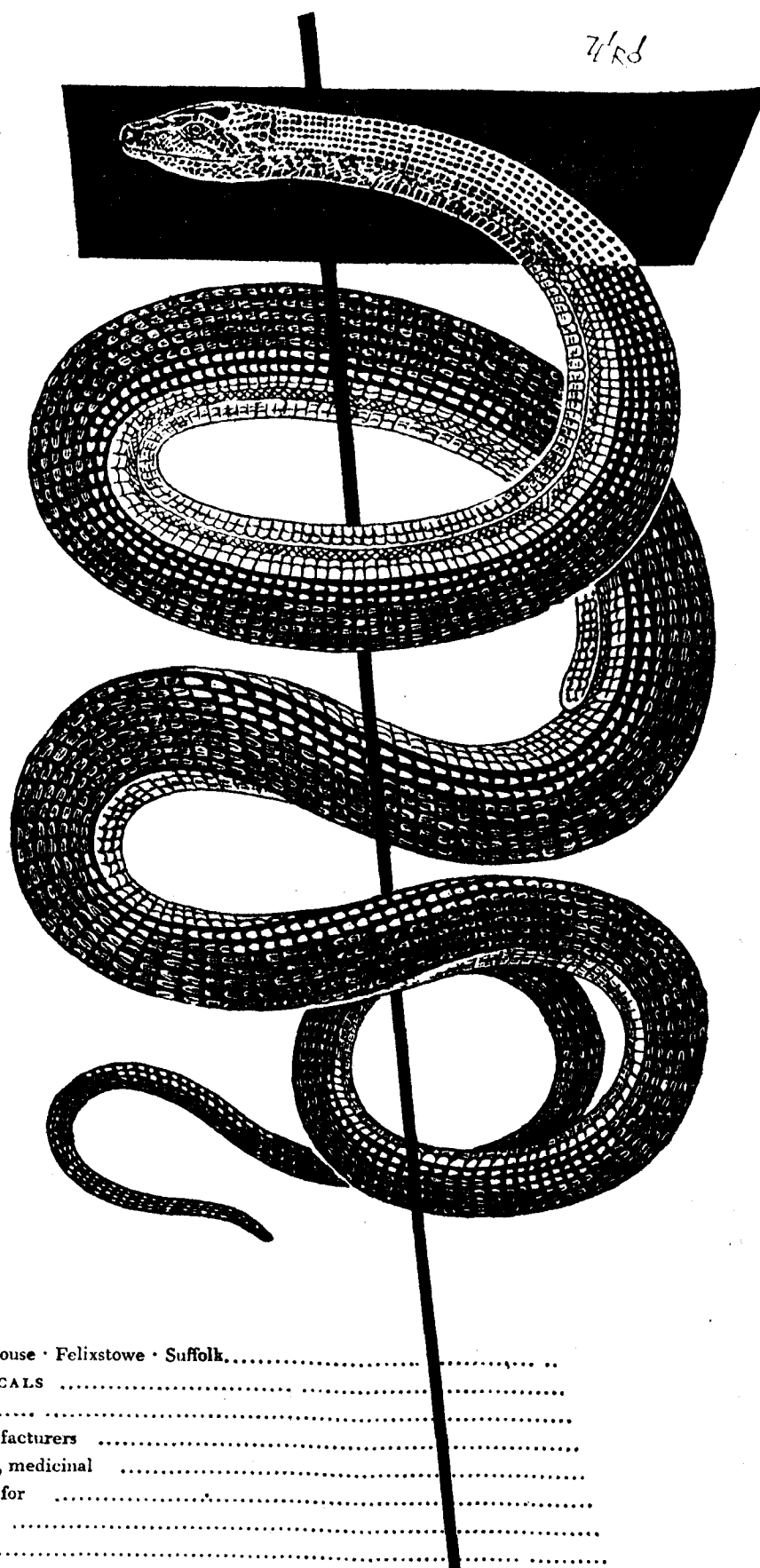
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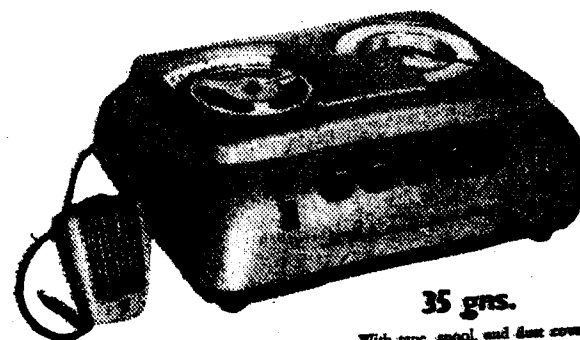


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*"Traditional policy of
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On the 26th September Cadburys announced the reduction in price of five of their biscuit lines, the reductions ranging from 1d. to 4d. per pound. Almost exactly a year before, on the 17th September, 1954, a new factory at Moreton on the Wirral peninsula was opened. It was built to specialize in the manufacture of chocolate biscuits by the most efficient modern methods.

We are glad to say that the new factory and plant have produced economies. In accordance with our traditional policy, as stated by the Chairman Mr. L. J. Cadbury, earlier this year, we are at once passing on the advantage to the public.

Milk Assorted	½ lb. 2s	2/0d.
Milk Shortcake	½ lb. 1s	1/10d.
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Choco'ate Sandwich	½ lb. 2s	1/11d.
Orange Sandwich	½ lb. 2s	1/11d.



Cadbury's new factory at Moreton on the Wirral peninsula, opened in September, 1954

The Chairman takes the Air...

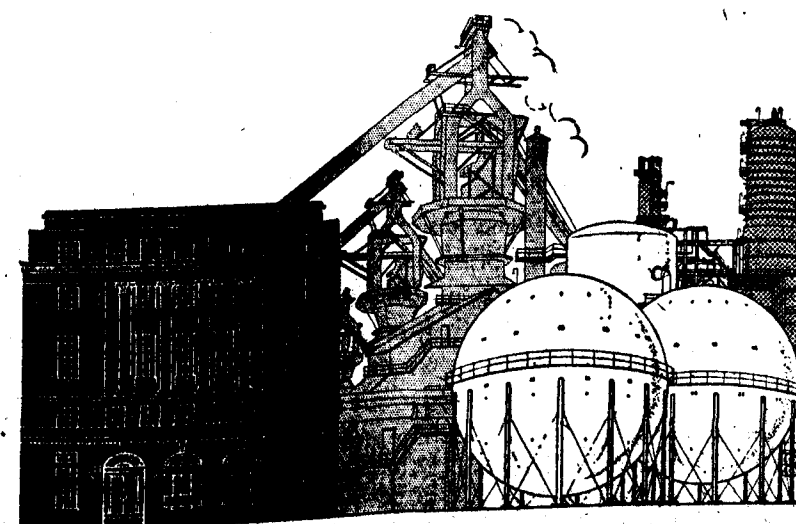
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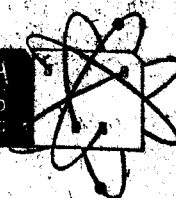
The company we keep is exacting company: In our dealings, whether with banker, steelmaker or industrial chemist, we must continually measure up to uncompromising and searching standards of achievement and stability. Our concern is with any business with a problem which can be solved by punched card methods—electrical or electronic—a fact which can only be discovered by talking the problem over.

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HOLLERITH
PUNCHED CARD
ACCOUNTING





Photographed for PICTURE POST by Bert Hardy

Who chooses the car?

Father pays of course—as always. So he is the one who has most say on how much, how big, how many to the gallon. But Mother has views of her own, especially about colour and comfort. Jimmy won't look at anything that's not a 'proper job' from boot to bonnet, and Joan, while trying the cushions, has a shrewd eye for whether the back will take the neighbours' Labrador standing up. Choosing a car is a family affair.

And to make it more likely that it's your car they choose your best and cheapest way is to advertise in a magazine that goes right round the family and stays around a whole week—often more. Your best family magazine is PICTURE POST. It goes into over 1½ million households. It is read by 5 million people every week. It clinches innumerable family purchases.

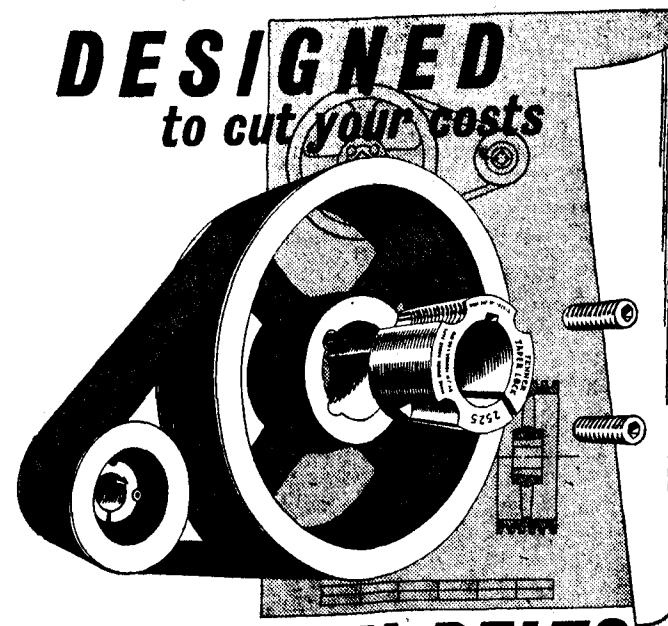
PICTURE
POST

HULTON'S NATIONAL WEEKLY

Who chooses the family television set, soft drinks, confectionery, cereals, soap and toothpaste? They're all very much family purchases. They can all be sold through PICTURE POST.

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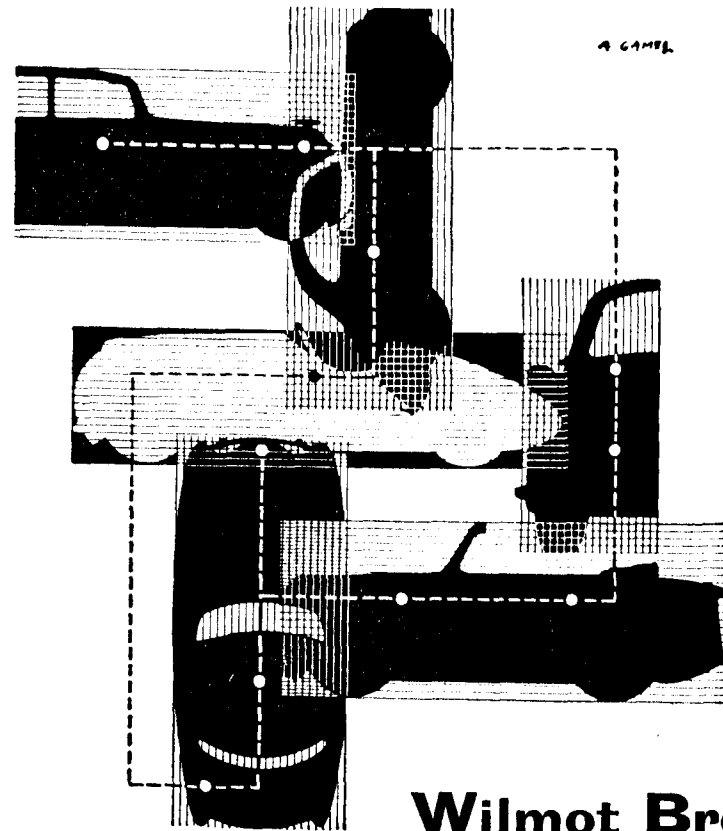
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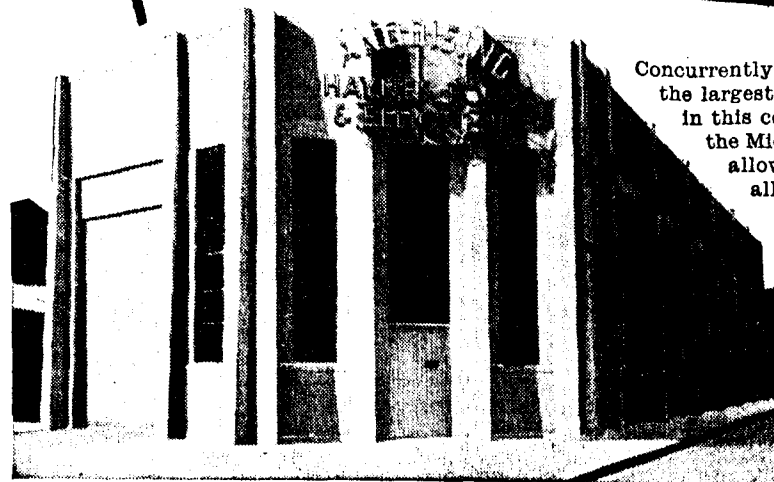
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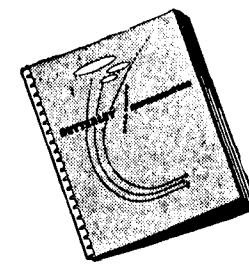


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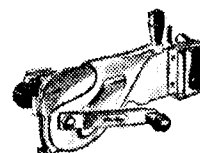
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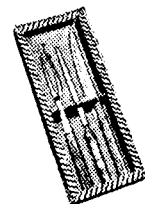
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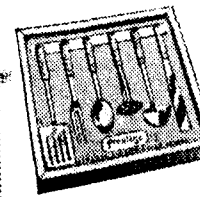
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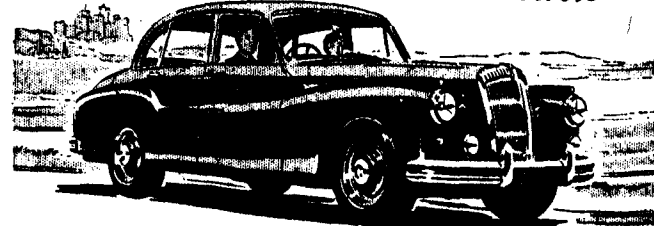
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OCTOBER 22, 1955

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Mr Butler on Trial

MR BUTLER'S quite unexpected decision to introduce an autumn Budget burst like a bombshell on Wednesday night. It is not usually wise to attack a politician for doing something that is politically disadvantageous; and since Labour's main case before the country is that Mr Butler pulled the Conservatives back to power by a fraudulently generous pre-election Budget, an autumn Budget will certainly heighten Labour's offensive. Nor is it safe to infer that Mr Butler is going all the way back to a Crippsian policy of restraint by high taxation alone, for his intention is to present a group of restraining measures, only some of which need to be incorporated in a Finance Bill. But these reservations still leave awkward questions for Mr Butler to answer. It is not the public's fault if it wonders why a supplementary Budget is necessary, for it has lately inferred from the Chancellor's own words that while his measures would be framed to protect the pound and get the British economy on something firmer than a tightrope, there was no "crisis."

It is unlikely that the explanation is that Britain's economic situation is worse than the country had previously been led to expect. Indeed, most of the latest evidence has suggested that it is rather better. The trade returns for September showed a visible trade position which was an improvement of fully £25 million on the monthly average in the first six months of the year; and during those first six months, it has recently been revealed, Britain's total external payments were in bare balance. The progress of the credit squeeze in the private sector of the economy began slowly but is now biting. It had previously been supposed that all Mr Butler need do next week would be to extend this squeeze to public investment and expenditure. And, quite apart from the squeeze, the two main increases in demand this summer, in fixed investment and consumer durables, have been of the lumpy sort, in which some downturn might be expected next year.

This does not mean that the economic troubles, which Mr Butler had already declared that he intended to restrain, have suddenly ceased to exist. Even if Britain's own external payments are now back in balance, or perhaps in temporary surplus, there is no margin against present and future strains. The effects of this summer's wage claims on British export costs (if they are granted) or on industrial unrest (if they are refused) have still to be faced. But the assumption was, and still is, that relatively moderate measures of restraint could bring the situation back to rights. Indeed, voices have already been raised to say that really stern measures against an undeniably inflationary situation now, piled on top of the credit squeeze and other measures for dampening the economy, might come into effect next year just in time to accentuate what Chancellors have learned to call "an undesirably disinflationary situation." And it is unlikely that Mr Butler's definition of an undesirably disinflationary situation has changed. He is, after all, a twentieth century politician.

But if Mr Butler's general objectives have not changed, and if the economic situation is not graver than all the available indicators suggest, there can be only one explanation of the decision to introduce an autumn Budget. It is that some of Mr Butler's long-promised "measures of restraint," while still relatively mild in their effect upon total consumption, are going to take a different form from that which had previously been expected. Up to Wednesday night the assumption had been that the cuts would fall only upon central Government expenditure (especially the housing, and possibly the agricultural, subsidies) and upon the investment programmes of the nationalised industries. It is still to be presumed, and it is certainly to be hoped, that measures of this kind will form the major part of Mr Butler's programme. But for none of them—not even the subsidies, which can be cut by Ministerial order—would the steps required be of a fiscal nature which need "to be embodied in a Finance Bill." Why, then, the Budget?

★

One answer to this question can surely be dismissed at once. It really is not at all likely that the explanation is that Mr Butler now feels the same way about his last Finance Bill as does Dr Edith Summerskill: that he thinks that all the economic troubles of this summer arise from the fact that he gave away sixpence off the income tax last April, and that he may therefore proceed to take it back next Wednesday. The argument against this explanation is not simply that it would be impracticable to revise PAYE schedules at this time of the year (although it very nearly would be). It is not simply that to put sixpence on the standard rate of income tax at this time would bring more disinflation than can conceivably be needed. It is that any such about-face would destroy Mr Butler's reputation as a forward looking Chancellor, who regards budgets as annual steps towards a new and freer system of society, instead of as administrative devices for controlling economic disturbances that could and should be dealt with by monetary policy instead. Indeed some damage has already been done to this reputation by the mere fact that there is to be a supplementary Finance Bill; since the march forward to a radical overhaul of the tax system, along the routes charted by the Royal Commission and the Tucker Committee, has still a long way to go, this hiatus is particularly unfortunately timed.

If there is to be any change in direct taxation next Wednesday, the only candidate for a Conservative Chancellor—and that a barely plausible one—would seem to be a cut in the investment allowance; even that would be an admission of weakened principle, and if it were coupled with any grading of investment projects at differential rates, no principle would remain. But news of the Budget has set alight two other speculations about the Chancellor's objectives.

It is to be hoped that neither of them is right, but

that does not absolve one from the duty of looking at them. The more tolerable explanation harks back to the rumour earlier this summer that the Chancellor might increase purchase tax on certain manufactures—such as motor-cars—which could be exported in greater volume but which are now being sucked away into the voracious home market. The force behind this rumour was that goods can be switched from one existing purchase-tax range to another without introducing a Budget; but they cannot be put into an entirely new range without a Budget, nor can changes be made in other forms of indirect taxation. It is just possible that, if Mr Butler really does believe that measures of this kind can help the export drive, then he might see no reason why his scope for manoeuvre should be restricted by the largely accidental fall of present purchase-tax ranges; why, for example, if he wishes to raise the purchase-tax rate on motor-cars above the present 50 per cent, he should be obliged to put it up to 75 per cent instead of 66½ per cent. But it will be a great pity if he does hold any such belief. It is administrative nonsense to suppose that jack-in-the-box tactics of this sort have much effect on either home demand or the export drive; sales in the home market depend on home incomes, and to increase sumptuary taxes does nothing to tauten the economy and make those incomes depend on work as well as union pressure.

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The second, much more alarming—but, one hopes, more unlikely—suggestion is that this Budget might be a *quid pro quo* for some form of wage restraint. The spate of wage claims this summer undoubtedly worried the Government, and there have been reports that some Ministers believed that the spate might be calmed down by some sort of dividend freeze. The most cursory examination of how foreign confidence would react to any such attack—an attack not upon the rich (through income tax), but upon one particular form of one particular payment for one particular factor of production—ought surely to kill this idea at birth. But is it possible, is it conceivable, that the idea behind this Budget might be a different form of attack upon the free flow of capital—for example, by an increase in the distributed profits tax? Anybody who maintains his trust in Mr Butler's record in the past four years must still be able—or perhaps ought still be able—to say that it is not. But the fact of a supplementary Budget causes apprehension, not because it implies heavier burdens to be borne, but because Mr Butler may be tempted to use it as a short-term expedient to solve his "crisis"; and to forget that an inflation half-suppressed by fiscal devices is not the same thing as an economic policy that suppresses inflation as soon as it starts. Next Wednesday will reveal whether the principles of disciplined freedom and fiscal reform, which Mr Butler has propounded for the past four years will be compromised. If they are, his enemies will rejoice and his friends will despair.

Brief Case for Geneva

EVIDENTLY the Soviet leaders have few illusions about the prospects for the four-power meeting of foreign ministers that begins in Geneva next week. A barrage of accusations that the western governments intend to wreck the conference is being laid down. *Pravda* has flatly dismissed all the reported varieties of guarantees that the West will offer Russia as a mere "screen" with "nothing in common" with security. The Communist rulers are taking advantage of their monopoly of their subjects' ears to present a picture of wonderful possibilities blocked only by western recalcitrance.

It is easy enough in all conscience to show that it is Soviet, not western, stubbornness that darkens the outlook for this return to Geneva; to recall that at the "summit" talks in July each western government produced new and reasonable suggestions intended to add to Russia's security or to ease the way to disarmament, while the Russians brushed these aside, insisting on their former demands; to point out that in the three months' interval between meetings the Soviet government has not budged an inch from these demands, for all its beams and banquets. But it is obviously not enough merely to repeat this dismal story and to write off next week's meeting in advance. Since July the background to four-power discussions has changed, and it will go on changing.

What, in fact, happened at the "summit"? Nothing was decided, except to go on conferring. The outstanding feature of the talks was the Soviet leaders' frankness. More openly and flatly than ever, they declared their aims: to destroy the Atlantic alliance, to push the Americans out of Europe, to reshape Germany to their own design. They proclaimed their intention of blackmailing the Germans by withholding reunion until Nato itself had been scrapped. Those Germans who believe (as do, curiously, some people in Britain) that Russia has shown itself ready to grant the Germans reunion in freedom now if they merely "weaken" their links with Nato, can maintain this belief only by shutting their eyes tightly to what Marshal Bulganin actually said at the "summit."

This franker Soviet attitude, while hardly cheering in itself, could have done some good if public opinion in the West had noticed it. As it is, the fear expressed in *The Economist* at the time has largely been justified: that anybody who pointed to what had actually been said at Geneva would be accused of spoiling the "Geneva spirit." The Russians have had it both ways. They have maintained demands that the West could accept only if it contemplated a form of slow suicide, and they have beamed so broadly that in many quarters the West's distaste for suicide is criticised as most unreasonable.

The smiles and soap handed down from the summit like Mosaic tablets have encouraged western allies to squabble among themselves—over disarmament as well as over Cyprus and, it is to be feared, over the Saar on the very eve of the foreign ministers' meeting. Communist wooing of "neutrals" who are blind to the fact that Communism's progress to its declared goal will leave no hiding place for neutrals has gone ahead rapidly, with particularly dramatic results in the Arab world. Moscow's announced intention of reducing its military manpower has proved effective propaganda, although it cannot be verified and, if genuine (as is quite possible), still represents less than the cut already made by the United States.

★

It hardly seems necessary for the Russians to lay a smokescreen over the Leningrad submarine pens at a time when the general atmosphere is already so hazy with pipedreams that President Voroshilov's speech just a week ago, insisting that the Soviet forces must be kept "constantly in a state of fighting readiness," passes unremarked in the outside world. Not a ripple of interest followed even *Pravda's* strident hymn of approaching triumph last week:

Today half of Europe and half of Asia is living and working under the great banner of Communism. . . . Not only on a European but on a world scale, the balance between the two systems has for a long time been in favour of Communism. . . . This is a universal consequence of the development of mankind. . . .

Nowhere have recent Soviet tactics had more success than in Western Germany. "Geneva spirit," together with the cruder form of blackmail involving thousands of imprisoned men and women, forced Dr Adenauer to agree, without any matching concession on German reunion, to institute diplomatic relations with Russia—a step which has inevitably encouraged his critics to press for direct dealings with the East German Communist regime. There remains, of course, a great volume of largely inarticulate support in Germany for the policy of solidarity with the West lately reaffirmed by Herr von Brentano. But the Chancellor's illness, coming on top of the acceptance of diplomatic exchanges with Moscow, has led to increasing talk among less responsible German politicians about the opening of a new phase, to more wilful blindness to the declared Soviet intention of giving the East Berlin regime a decisive role in any reunited Germany.

To say these things, however, is not to write off the new Geneva talks as either useless or dangerous. Even if nothing can be agreed by the foreign ministers, some-

thing of real value may be established. Three weeks with Mr Molotov is a very different proposition from a few days of back-slapping at the "summit." Public opinion, which in July was mesmerised by photogenic grins, has now a chance to grasp the real issues. If the western ministers restate their case clearly, if people take the trouble to listen to it, and if the Russians do not spring some brilliantly distracting surprise on the conference, the West ought at least to emerge as the real champion alike of security and of German reunion in freedom, of disarmament and of free contacts between peoples.

The Russians are approaching the conference with their demands essentially unchanged. They demand the "liquidation of all foreign bases" (including withdrawal of American and British forces from Europe); the scrapping of Nato and of Western Union (after which Western Europe's only protection would be a "European security system" consisting simply of mutual guarantees, in which Marshal Bulganin himself sees no value); a disarmament programme which could not be properly verified on the Communist side; and equal status for their puppets in Eastern Germany, first as an independent regime and later as a sacrosanct element in a united Germany. To accept these terms would be to consign not only Western Germany but all Europe to piecemeal engulfment.

The West cannot possibly settle for the purely paper "security" that the Russians offer. It cannot trade in the Atlantic alliance, its one real source of security, in exchange for the winding up of the Warsaw treaty between Russia and the satellites; for the Soviet-satellite relationship would remain one of iron bonds, exactly as it was before the Warsaw treaty was signed last May. The West cannot rely on inadequate controls over disarmament, for these would give the Communists all the advantage of their fantastic system of top-secrecy. And it certainly cannot accept the Russians' demand that German reunion must await fulfilment of their other demands—both because to grant these would be suicidal, and because to take even a step along this road would naturally encourage the Russians to see how much further blackmail, and particularly exploitation of German hopes and fears, would take them. These are clear limitations on western flexibility, and they cannot be restated too often, either to the Russians or to the public.

★

What the West can do—as it did in July—is to offer new approaches to the disarmament problem and new assurances against any threat to Russia. Since July, Moscow has stalled on the first and scorned the second. It has said neither yes nor no to Mr Eisenhower's aerial inspection plan, to M. Faure's suggestion about budgetary control over disarmament, to the British "pilot project" for arms control in central Europe. It has repeatedly derided the mere suggestion of

western guarantees. "The Soviet Union does not seek anybody's protection," said *Pravda* last Saturday, virtually echoing Marshal Bulganin's brusque rejection of the offer in July. There is as yet no sign that the Russians' basic position will be modified, that they realise that the West cannot accept their demands and hope to survive, that they have any intention of letting Germans reunite except in a cage.

★

But it must never be forgotten that Mr Molotov, like Father William, can stand on his head with remarkable speed for a man of his age. Russia may have a surprise to spring at the meeting of the UN Disarmament Commission which it has requested this weekend, or at Geneva a few days later. Such are the advantages of totalitarian diplomacy, which need take no account of public opinion or of the now raw nerves of satellite satraps. Unfortunately, experience teaches that apparent Soviet concessions on the eve of a conference are usually well planned diversions. Real concessions come, if at all, after the hard bargaining, not just before it.

Real concessions, moreover, seem all the less likely at present because the Russians seem to think that time is working for them; and in Germany, at least, they have grounds for this belief. The western allies must obviously do all they can to maintain German morale and to show Germans who the true champions of their reunion in freedom are. But at the same time, indeed to the same end, they should tirelessly remind the Germans of the limits of possibility already described, and explain over and over again that to step beyond these limits will mean catastrophe for democrats alike in Germany and throughout Europe.

For the present danger, again alike for German democrats and for their friends, is primarily a threat to confidence arising out of confusion. After a long summer of "Geneva" sunshine, few people are at all clear what the stated Soviet demands are, and fewer are ready to face up to the Russians' underlying aims, with their fatal implications. Nor is it generally realised that to accept what looks like a *status quo* silently and passively can prove as fatal for the free nations as to accept Moscow's terms. Unless the western case is tirelessly recapitulated (and it is a complex case, much less easy to put over than are the Communists' glib slogans) it will go by default, and the *status quo* will prove to be not static at all, but rather a deadly drift in just the direction the Soviet rulers want, towards neutralism, isolationism, indifference and blindness. The western case—real security, real disarmament, German reunion in real freedom, real liberty of contact between peoples—should be pressed upon the Russians at every opportunity. And the basic arguments in that case should be set clearly and repeatedly before the public in the free world. The coming conference will be well worth while if it merely contributes to this end.

A Socialist's Faith

THIS is not the week to review in detail the progress of the Labour party towards a practicable political faith, if indeed it can be said even yet to have emerged from the slough of despond in which it has been bogged down for so long. But one pilgrim has reached a stage in his progress which calls for brief comment. Mr Hugh Gaitskell proclaimed at Margate last week that equality of opportunity—with reward for merit and work, not for wealth and position—is the foundation of his socialist faith; and he said that he regards nationalisation as a means for the realisation of this egalitarian ideal, not as an end in itself.

This definition of means and ends was adroit, for it leaves every delegate to decide for himself just how much nationalisation is needed to achieve equality, and how soon. It extricates the party from the hopeless position of seeming to demand nationalisation for its own sake, whether it works or not; and it redefines the ideal of public ownership enshrined in the party's constitution. But the importance of the formula is that it is Mr Gaitskell's; and Mr Gaitskell is more likely than anybody else to be the next Labour Prime Minister. What he thinks today may be of no small importance to the rest of the country in a few years' time. It is therefore worth while to examine the foundation of his faith with some care.

★

With Mr Gaitskell's definition of the socialist ideal there need be no violent quarrel. He does not demand an absolute levelling of real incomes. He accepts the principle of differentials due to acquired skill, applied effort and inherited ability. He is no Babeuf, demanding absolute equality even if society perishes in the process. His socialism would be satisfied, apparently, by putting the entire working population on a civil service scale of pay, with increments for promotion (on merit only) above the minimum, allowances (no doubt) for onerous duties or overtime, and family allowances to offset the economic disabilities to married couples of reproducing the cadre of citizen-worker-officials. It sounds rather drab, but what is drab to some may be the shining dream of a better civilisation to others; this can only be decided by votes. It can certainly be conceded to Mr Gaitskell, here and now, that there is still in Britain more inequality of real income than can be justified by differences in merit or in the contribution to national income or welfare made by particular individuals.

But there is all the difference in the world between one method of securing greater equality and another. One way is to level up; the other way is to level down. One way is to raise the real income of the worse-off wage and salary-earners, without cutting the standard of

living of those who have special abilities, or who make special efforts, or even who have been lucky enough to have rich parents; the other way is to deprive these people of the rewards of their abilities and efforts and luck, and to transfer them to those lower in the scale. One way is to raise the national average of real income, the other to drop it a few pegs. Which of these methods would Mr Gaitskell employ? Challenged, he would presumably declare that he intended to level up, except only for certain steps that he intends to take against inherited wealth; and it is no doubt true that he would wish to do so.

But, in that case, what has nationalisation to do with his objectives? The mere mention of this "means" gives him away completely. Nationalisation obviously does nothing to accelerate the process of levelling up. It may be argued that the miners or railwaymen have done rather better against the boards than they would have done against private managements, not so much in wage negotiations as in negotiations about whether they should be disturbed by Italian colleagues or by declarations of redundancy; but anything that they have gained in this way has been won from other members of the community, including the poorly paid, through higher costs. In so far as there is anything in the argument that workers in the nationalised industries have benefited from more benevolent bosses, then the process of levelling up, by raising real incomes of other work-people, has been slowed down. And nationalisation can do little to redress what socialists regard as gross inequalities of inherited wealth, if compensation to owners is paid in gilt-edged stock whose capital value is boosted by the socialist policy of cheap money.

★

The alternative aim would be to level up by raising the national income. If the Labour party would concentrate its energies on this objective alone, it would get all the equality it wants—or at least all that Mr Gaitskell seems to want. There are two reasons for this. First, the strength of the trade unions is such that they can be relied upon to divert a rising proportion of gross incomes into the pockets of wage earners—over a period, if not necessarily every year. Thus the gain from increasing the national income will go primarily to wage earners. Secondly, taxation converts a rising proportion of gross income going to wage earners into an even more rapidly rising proportion of net income going to them; it prevents an increase in the national income from benefiting the upper income brackets to any great extent. In this two-handed engine, in fact, Labour already has at its doorstep all the machinery it needs to secure a rapid increase in equality of income.

Indeed, the question that worries many people is whether the machine does not move too quickly for either detailed equity or efficiency.

However this may be, it is perfectly obvious that the quickest mechanism for levelling incomes, and the least damaging to the social fabric, is to push up the national income and let wage claims and taxation share it out. Nationalisation is not a means to this end. It is a red herring. It has nothing to do with the exaltation of the humble and meek, about whom Mr Gaitskell is supposed to have been talking; it is concerned only with pulling down the mighty (with compensation) from their seats in the boardroom. There are, of course, people

in the Labour movement who are far more concerned with humbling the bosses than improving the lot of the humble. They would willingly postpone the latter wage packet, the greater security of employment, simply to dish the big capitalist (and the small capitalist, for that matter). They are the Babeufs of the Labour party. They are also the people whom Mr Gaitskell is encouraging by committing himself to the false doctrine that nationalisation promotes equality. Does he really want to do so? If not, does he realise how now, perhaps at the threshold of his party's leadership, he could make most sense of his own particular socialist faith? It would be by throwing nationalisation out of the window.

Compromise in Capricorn

THE British people are accustomed to congratulate themselves on the fertility and originality of their ideas on constitutional problems. And the record looks well: the evolution of dominion nationhood from the Durham report onwards, the evolution of Empire into Commonwealth, and finally the evolution of the formula whereby republican India could remain associated with the Crown. Now the challenge of change comes from the colonies, and in the past ten years constitutions have been tailored to colonial measure with breathtaking versatility. But can it be said that, to meet entirely novel social and economic conditions, any striking political novelties have been worked out? Is not the recent history of the Gold Coast, for example, a rough adaptation of experience with the white dominions? There seems, indeed, to be only one really new constitutional device—that of the “multi-racial state,” devised to meet the problems set by the tiny British settler communities in the black sea of East and Central Africa. Perhaps because it is the only new thing to show, it has been given a lot of publicity, and vaunted as the liberal British solution to a racial problem so very illiberally solved by South Africa, France and Belgium.

Let it be said at once that the problem is a real one. The white settlers are in Kenya, Tanganyika, the Rhodesias and Nyasaland (as are the Indians) by right, and not merely the formal right of legal title. They have largely created the countries they live in; they have a vital political and economic function to perform; and the possibility of these territories emerging as modern states linked to the modern world, rather than as a chaos of tribalism, depends largely on their leadership. Economically, they constitute the main flywheel of woefully poor economies—and that goes even for the white highlands, Kenya's first large-scale industry. The possibility of putting into effect the recommendations of the Royal Commission on East Africa—the creation of an expanding market economy in place of a network of “reserves” and subsistence farming—

depends on their economic, social and administrative skills. The fact remains—as Lord Malvern has frankly said—that they are a privileged class, conspicuously different by colour, behaviour and wealth from the African masses amongst whom they live; masses that are increasingly conscious of their solidarity, increasingly nationalistic.

Multi-racial government, or partnership, is intended as the solution; the formula for harmonious co-existence of white haves and black have-nots. But what is its nature? Recently, in the Federal Parliament in Rhodesia, Sir John Moffat asked for an investigation into the principles of multiracialism; his request was refused, though he had every African but one in his lobby with him. Definitions of partnership remain vague, on the basis that everyone knows roughly what it means (raising the African to the level of the European—sometime). Of late, European leaders have made much play with the soothing idea that the whole question is a matter of economics alone. Race relations will become happy as the African standard of living rises; and it is hinted that this process will only be prejudiced if the tender plant is repeatedly dug up to see how it is putting down its roots.

It is easy to see in this “when the Africans catch up” attitude a convenient way of avoiding the issue. It is an attitude which makes plausible the allegations that multi-racial government, or partnership, is a screen of high-sounding phrases behind which Britain has transferred power to the white minority, with the inevitable loss of African confidence in imperial intentions. It would be rash to deny that there is any truth in this allegation, though it is too soon to say that race relations in Kenya and Rhodesia will go the way they have gone in Natal and Cape Colony. But there is as much partial truth in the suggestion that elsewhere—in the name of African self-determination—Britain has abandoned illiterate colonial masses to a coloured minority of educated politicians. It is not the whole truth, for there are African ministers in East

Africa, African MPs in the Federal legislature, and the coloured politicians elsewhere have to account to their electorates.

It should be clear enough that the outstanding feature of multi-racial constitutions is that they provide, in varying measure, for government by consent now, and that they make provision for change by consent in the period ahead. That change is quite clearly a progressive change in the balance of political power from European to African hands. If this is not intended, the situation—the Lyttelton settlement in Kenya for example—makes no sense. But if Africans have confidence that this is the plan, they can co-operate; they can accept, in an Africa of rising nationalism, white leadership and tutelage. Because their inheritance is secure, they can take the intermediate steps without impatience, and there will be no struggle for power between the senior and junior partners. That is the theory.

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It may not be a bad theory. It is noticeable that, in the different conditions of the West Indies and West Africa, now that local leaders are convinced that Britain intends to withdraw, there is far less hurry to consummate the process in the final act of independence; there is far more emphasis on the partnership of British skill and experience with African readiness to learn the techniques of creating not just independent states of some sort—but modern states.

The question is: will the theory work given the attitudes of the settlers in East and Central Africa, and the present concentration of power in their hands? Attitudes are perhaps more important than constitution here. If the Europeans feel that every stage in the transfer of power to Africans is in fact a defeat for “their side,” then inevitably the Africans will feel that it is a victory for themselves, which had to be fought for because otherwise the concession would not have been made. Behind the façade of partnership there develops a racial struggle for power as Sir John Moffat predicts. Whatever the Europeans do, it is regarded by the Africans as part of a rearguard action. Indeed, their fears go further than delay. When the Rhodesians raise the property qualification for voters (on the plea that it must keep step with the value of money) it is seen as a method of preventing the natural transfer of power. Suggestions for educational and other “fancy franchises” by the Capricorn Africa Society, whose admirable if changing ideals have recently been set out by Dr Oldham,* run the risk of being taken the same way. Africans notice that the rich and privileged in India and Indonesia submit to the tyranny of the one man-one vote principle just as the British do at home. Talk of a vast white immigration into the Rhodesias appears to them another way of cheating at the game, whatever the reasons for increasing the stock of skill or western experience. The worst stage is reached when Africans—as in Uganda—

* New Hope in Africa by J. H. Oldham, Longmans, 7s. 6d. net.

object to industrialisation of any kind for fear that it will bring in Europeans who are sure to want political power out of proportion to their numbers. The whole scheme for giving East Africa an open and expanding economy could fail on African suspicions that it was intended simply to entrench a vastly increased upper class of European experts.

In such circumstances, Europeans who talk comfortably about the importance of building up an African middle class as the next stage are indulging a dangerous illusion. There is no more revolutionary class than a frustrated middle class, as history should teach them; and it is likely to prove the more revolutionary if its frustrations are deepened by discrimination based on skin colour. It is most unlikely to espouse fancy franchises, in preference to enfranchising the masses which it can organise politically. An African middle class makes sense in this context only if it can, fairly swiftly, expect social and political equality with Europeans: if, that is, the class and colour barriers are permeable and seen to be permeable.

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These are the considerations which the 300,000 East and Central African whites can usefully bear in mind when planning their future. It is their existence which is at stake, after all, not that of 24 million Africans. Lord Malvern has sagely told them that a privileged class must yield its privileges, though he did not tell them at what rate. It is probably much faster than they think, and it will be related to the speed with which their efforts and entrepreneurship expand the economy. It is not too much to hope that the Europeans will courageously face this sentence to constructive abdication; the recent copperbelt decision is one straw in the wind, and a new liberalism about African representation is stirring in Kenya.

But what of the future of the Europeans, if they abandon the defensive attitude which was so skilfully but understandingly analysed by Mr Arthur Gaitskell in a recent lecture to the Africa Bureau? The art of being submerged without actually drowning may be difficult; but it can be seen practised in the West Indies, where the black majority rules at the polls but the whites reign in society and enjoy the full influence conferred by education and business leadership. The West Indies are far more crowded than East Africa, and one remarkable African quality is hospitality. Another is loyalty. Together, if not overlaid by fear and insecurity, they can guarantee a comfortable and permanent home in Capricorn Africa to Europeans who can accept the idea that multi-racial government can never be a stable political system, or a set of brakes; but rather a process for creating new modern states in which power will inevitably be in the hands of Africans—though in the hands of a generation and nation of Africans which present European leadership can educate and shape.

* What Have They To Defend? by A. Gaitskell, Africa Bureau, 2s. 6d.

Notes of the Week

Two Main Tasks

THE decision to introduce an autumn Budget will necessarily and temporarily overlay all other considerations at the re-assembly of Parliament next Tuesday; but it will be a pity if this is allowed to obscure the tasks that lie beyond. For the real challenge before the Government in the next few months will be to carry forward the dynamic of the new Conservatism, by introducing the sort of legislation that always looks very awkward and unpopular at first blush, and only brings in its benefits much later. Legislation of this kind has to be enacted during the first two sessions of a Parliament if it is to be enacted at all. It will be by their willingness to introduce two "politically awkward" measures in the next few months that the Conservatives will particularly deserve to be judged.

The first question is how the Government is going to implement its housing reforms. The real test of its policy here will not be what it does about the subsidies; it will be whether it moves forward this session to abolition or amendment of the Rent Restriction Acts. The second, and even more important touchstone, will be how determinedly the Government pushes through its Monopolies Bill. It needs to be emphasised again that the measure outlined by Mr Thorneycroft just before the recess was a surprisingly radical one; the procedure which he promised, of "calling up" restrictive practices and putting the onus of justifying them before a new tribunal on to the firms themselves, would really be a more streamlined version of the system of "bans subject to appeals" proposed in the now famous majority report of the Monopolies Commission.

But the trade associations that would be affected by Mr Thorneycroft's proposals, or at any rate the minority of them that realise what the Board of Trade is up to, will quite certainly try to turn the Bill into something very different. Plans already seem to have been laid to dilute the Bill by amendments, to try to swamp the proposed tribunal by lawyers' delays, to try to play off the new tribunal against the Monopolies Commission, and, as a possibly essential pre-requisite to all this, to get rid of Mr Thorneycroft himself. The most important question at the beginning of this Parliamentary session is whether Sir Anthony Eden is going to be a strong enough domestic liberal to stand up to these pressures. The news that Mr Walker-Smith has given up the chairmanship of the 1922 Committee, in order to become a junior minister to Mr Thorneycroft at the Board of Trade, is not a significant indication of Sir Anthony's state of mind. Mr Walker-Smith, of cruel wit and great debating ability, has hitherto been best known as a brilliant advocate of whatever brief is presented to him.

Minor Measures and Major Mistakes

THERE is another field of activity in which the Government is going to have plenty of scope for reforming itself in the new Parliamentary term—and also, unfortunately, plenty of scope for repeating mistakes that it has made in the past. This is the field of "technical," and nominally "uncontroversial," legislation—debates on which, after all, take up the greater part of Parliament's legislative time. The Conservatives' recent record in this field has been almost uniformly bad. One common—although relatively unimportant—failing here has been to enact legislation which cannot be enforced, in the belief that it is better to show willingness than to be wise. There are traces of this peculiarity in the new Road Traffic Bill, which seeks to increase certain maximum penalties that are inoperative even at their present level. The Clean Air Bill, published in the summer, admittedly avoids some of the traps which were ignored on almost every page of the Beaver report, but already the technicians have launched an attack on one of its provisions, which suggests, rather reasonably, that people should not be legally obliged to burn certain types of fuel if supplies do not exist. And the measure to implement the first instalment of the Gowers recommendations of 1947, to extend some of the provisions of the Factory Acts into farmhouses and other places of non-industrial employment, promises to give those who believe that inspectors can look at every farm kitchen very many happy hours.

A much more serious feature of recent technical legislation, however, has been the dominance that technicians have established over it, at the public's expense. Already this session the County Courts Bill has been ruined by an amendment sponsored by the lawyers' associations, which was designed to save lawyers from embarrassment and was pushed past an unwilling Government after a debate in which nobody except lawyers spoke. Already the Copyright Bill, among some otherwise excellent provisions, has slid in a clause about television copyrights that is principally designed to strengthen the monopoly bargaining power of the performers' unions against the competition of television in hotel lounges. And ahead there lies an even more important struggle. Any Shop Hours Bill which the Government introduces in this session should be designed to enable shops to give a more flexible service to the public; it will be a major mistake if, under pressure from the only people who are so far taking a real interest in it, the Bill tries instead to set up "fairer competition" by forcing small shopkeepers to shut their shops earlier than they would like.

M. Faure's Balancing Act

THE first vote of confidence in its existence did not in the event prove fatal to M. Faure's government, which mustered 308 votes against 254. It would be wrong, however, to see in this a real verdict on a policy for Algeria. Many other factors determined the final alignments. M. Faure survived partly thanks to his foreign secretary, M. Pinay, who managed to rally his conservative colleagues. Above all, he was saved by an extraordinary combination of foreign events. The recent United Nations vote enabled him to appeal to patriotism; many deputies did not like the thought of a vacant French seat at Geneva next week; and they could see, too, the effect a crisis would have on the forthcoming Saar referendum. It was this last which gained for the government the reluctant votes of the *Mendésistes*, who did not want to throw their leader's baby away with the bath water.

Thus M. Faure's stratagem of shifting majorities has shown its worth. He first leaned to the left to get round the Moroccan corner, then, approaching Algeria, recovered his normal position, more in keeping with his rightist support, and he is still in the saddle, with no immediate obstacles ahead in the parliamentary arena. But his position will become perilous again unless he can rapidly silence the sounds of gunfire which reverberate in the *Palais Bourbon* from the other side of the Mediterranean. Nearly half of the French army is now stationed in North Africa, and this bill will also have to be footed soon. The key to the government's future thus still lies in North Africa and in the degree of room for manoeuvre M. Faure can obtain from his coalition.

The quest for a peaceful solution has hardly begun. In Morocco, at least, the question is simple: is there still time to negotiate with the moderate nationalists, or has the creation of a regency council—sabotaged for so long by the local French administration—come too late? But the debate revealed no simple way out for Algeria, where even more French troops are bogged down. The short-term political and economic measures advocated are unlikely to halt the fighting. M. Faure has asked for three months to prepare a real solution. One ray of hope was his hint that in drafting it he will consult not only the Algerian deputies—who are dismissed by many of their compatriots as French stooges—but other nationalist representatives as well. Should he start a genuine *dialogue*, however, he may again be deserted by the "colonialist" wing of his majority.

After-Shave Lotion or Singe?

A FRENCH legend has it that a barber once made a fortune by keeping a permanent sign outside his shop: "*Demain On Rase Gratis*." Cynics were reminded of this story when M. Faure, in one of his many interventions during the North African debates, declared that "should it survive the day, the government will govern." Not much French logic was needed to ask what it had

been doing up to then, nor much French scepticism to doubt the lasting effects of this new resolution. Indeed, the government's weakness during previous months has been due less to M. Faure's character than to the nature of his coalition and of this parliament. The Fourth Republic adopted consciously the method of "government by assembly," of which the premiss was the existence of an agreement between strong disciplined parties. With this premiss unfulfilled the whole edifice has been creaking dangerously. Under strong pressure from outside events the Assembly may at times let itself be ridden roughshod, as it was by M. Mendès-France, but then the divisions reappear and the choice is between compromise and dismissal, between immobility and instability.

Recent examples of governmental impotence have prompted many French personalities, including the President of the Republic, to issue warnings about the dangers ahead. One particularly interesting plea has been made by an MRP leader, who urged M. Faure to be the last prime minister of this Assembly and, if defeated, to go to the polls. Not long ago it appeared that the nation's verdict would not greatly change the parliamentary balance of forces, but North African events are beginning to change this situation. "Only an African *Dien Bien Phu* can bring him back" was the most widespread comment after the fall of M. Mendès-France, and the new tide of discontent may carry him to power. It is rumoured in Paris that M. Faure, taking advantage of his latest respite, contemplates an early election, even before the end of the year. This would prevent M. Mendès-France from fully organising his forces and reaping the fruit of his current tour of France. Elections may not change much, but the strongest argument in favour of a new Assembly is the existence of the present one.

Moroccans Out of Tune?

IN Morocco, M. Faure is adding, item by item, to his reputation for achieving a desired end at the price of earning an undesirable measure of ill-will. On Tuesday, he successfully installed the Council of the Throne on which he had agreed with representative Moroccans at Aix in August. He was able to do so on the firm basis of last week's majority for his Moroccan policy in the Assembly, but has nevertheless drawn fresh fire from both flanks. His right-wing critics, who include his Resident-General in Morocco and a gang of serving generals now commanding the French forces there, upbraid him for failure to observe the wishes of ex-Sultan Ben Arafat (who asked, on departure, that a cousin and not a council should fill his throne). His left-wing critics, including all extreme Moroccan nationalists, blame him for adding a fourth man to the council of three agreed upon at Aix and so, they say, weighting it in favour of the forces of reaction.

So far he has to thank the great moderation and patience of two or three Moroccan leaders for the success of his policy. He is particularly in debt first to Si Bekkai, the former Pasha of Sefrou and now a member of the new council, who enjoys the confidence of the nationalists owing to his unswerving loyalty to the ex-Sultan at one remove,

Sidi Mohammed ben Youssef, and secondly to Ben Youssef himself, who has quieted some of the opposition to the four-man council by speaking up from his place of exile in Madagascar and endorsing its composition.

The snag that lies immediately ahead is that this council is supposed to reach its decisions unanimously, and, on the way to them, may well display all the shades of opinion that already bedevil Moroccan political life. Even in Tunisia, where almost the whole nation gave its support to a single party, the Neo-Destour, healthy and natural differences of opinion between Neo-Destourians are beginning to appear now that the bond created by the struggle for home rule has disappeared. How much the more will they do so in Morocco, where searing divisions exist even before any change of status has taken place.

Labour Sees a Light

UNEXPECTEDLY, the Labour party conference in its closing sessions produced a really interesting, and perhaps portentous, debate on old age pensions. The three main speeches came from Mr Bevan, Sir Alfred Roberts and Mr Richard Crossman, and the views they put forward were respectively those of the left wing constituency parties, the trade unions and the national executive.

With one of Mr Bevan's propositions there will be little disagreement. The national insurance fund is a myth. The surplus built up by the excess of contributions over payments is not a bank balance that can be drawn upon, as some Labour members optimistically suggested in 1950, to meet increased social service costs. But Mr Bevan also argued that any pretence at an actuarial basis should be dropped and that the insurance scheme should be financed wholly from the Exchequer, with pensions, and presumably other benefits, related to the cost of living index. The burden on the taxpayer that will in any case be imposed by the growing number of old people in the population would thus be increased without limit. It is the realisation that this burden would not be tolerated for long that makes the trade unions—responsible if somewhat unimaginative—cling to the so-called actuarial principle, which at least gives benefits as of right to those who have paid their contributions.

The significance of Mr Crossman's speech is that it showed that Labour leaders may be prepared to break out of these old grooves and work out a new national insurance policy that will fit the facts of old age. The chief of these facts is that half of the men retiring from industry have some form of superannuation, public or private. Mr Crossman put forward the proposition that Labour's aim should be a retirement income of at least half of working income—by the establishment of a Government superannuation scheme to which those not belonging to private schemes could belong. Old people should no longer be divided into the fortunate half with national insurance pensions and superannuation, and the unfortunate half with national insurance pensions only. It is not clear that Mr Crossman would agree to the logical conclusion of his argument: that those with private superannuation should not receive the national insurance pension, which

would be payable on proof of need rather than of right. But it is obvious that, under any such scheme as he adumbrates, the intermittent pressure to raise pensions would tend to be concentrated on those receiving only the lower Government benefits instead of embracing those receiving the higher private superannuation benefits as well: in other words it would introduce some element of selectivity into future demands on the public purse. His speech is therefore welcome as showing that the Labour executive is willing to consider renouncing outworn party beliefs in a matter that is very dear to the party's heart.

Law and Order in Kenya

THERE will be some surprise, if also gratification, that the commission appointed to inquire into the working of African courts in the troubled areas of Kikuyuland found only one serious miscarriage of justice; and that it felt impelled to recommend changes of procedure for only one African court. It was believed—and the evidence was impressive, if scattered—that at one stage in the Kikuyu civil war the terrorism practised by Mau Mau was, if not matched, certainly reflected by a considerable measure of intimidation and pressure by the loyalists. Presumably it was drumhead justice and did not get as far as the properly constituted African courts, which certainly have the advantage of their own procedure in obtaining evidence and do know their own people. The most disturbing feature of the commissioners' report is that its first part is not being published, on the grounds that this would be "contrary to the public interest." Apparently this section related to a judgment of the Supreme Court, but the reasons for suppressing it will have to be a good deal more cogent than that for the public to accept them; it is reported to have dealt with the district African court of appeal in the Nyeri district, the suspension of which has now been withdrawn by the government.

Even if the clean bill given to African courts by the second part of the commission's report is taken as definitive—as presumably it must be—this will go only a small part of the way towards stilling concern about the course of justice in Kenya. There can, unfortunately, be no doubt that there have been some very bad instances of malpractices in which Europeans have been involved; and that the sentences given to Europeans convicted of maltreatment of Mau Mau suspects, leading to their death, have been far more closely related to local feelings about colour and race than to justice. The Bill now to be introduced into the Kenya Legislature to withhold *ex officio* magisterial powers from temporary district officers plainly derives from the latest and perhaps most scandalous of these cases; and the news that all existing magisterial appointments are being reviewed is significant and probably overdue.

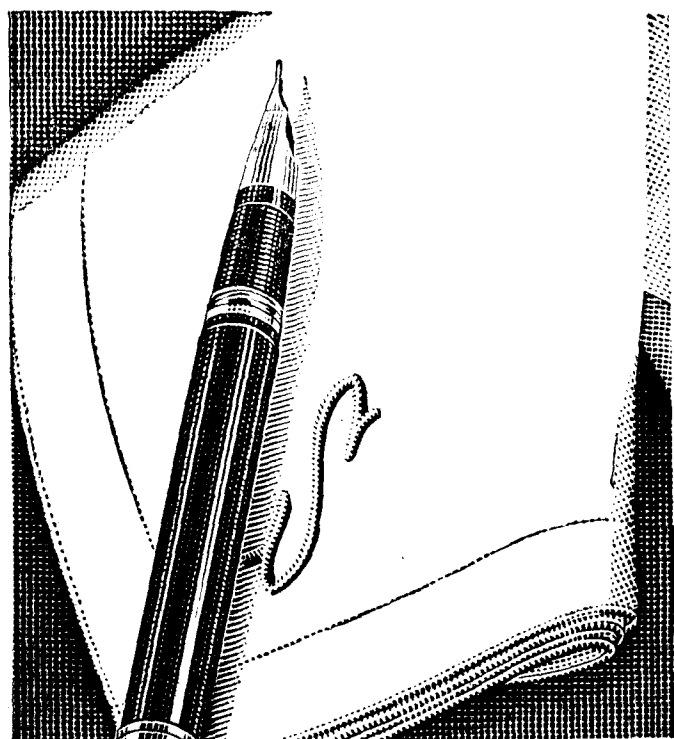
A European magistracy in which it is not possible to repose confidence is a grim liability to race relations in Kenya. But even if reforms in it are now in hand, this will not complete the story. The Kenya government will not have completed the overhaul of its legal machine until it is also ready to examine the problem of perverse verdicts by European juries.

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Pay on the Buses

THE wages of busmen all over the country are in a melting pot which threatens to boil over. In London the men are demanding an extra 25s. a week; but it looks as if they might have accepted an offer of 10s. in London and 8s. on its outlying services, if it had not been attached to a proposal for an 11-day working fortnight with more rest days but also a longer working day. A board of conciliation has failed to end the deadlock and can only recommend arbitration. This the employers are prepared to accept, but whether the men will do so will not be decided until Saturday. They are a militant lot and they may prefer to resort to their favourite weapon of banning overtime—or even to striking. Meanwhile, in the provinces, the municipal transport workers are asking for increases of between 18s. for unskilled workers and 32s. for drivers on the top rate of 148s. A similar claim by workers in privately owned transport is going to arbitration.

Against the background of an acute labour shortage the employers are in a weak position. London needs 4,000 drivers and conductors—a mounting scarcity—while other industrial towns are put to all kinds of shifts to keep their buses on the roads. Sheffield has taken to hiring privately owned buses. Wolverhampton employs Jamaicans (although the fury that this caused was calmed only by conceding that all such hiring should be done by a selection panel representing both workers and employers). Manchester and Birmingham want to pay more than the nationally agreed wage—indeed Birmingham already does so, for which sin it was expelled from the Municipal Passenger Transport Association. The other authorities fear a further depletion of their own staffs and a levelling up of wages to the highest levels. But in places where highly paid factory jobs are to be had for the asking a higher rate for busmen seems only common sense.

The fact is that a busman's lot is not a happy one. His hours are irregular, and in heavy traffic the strain and the judgment needed are great—probably greater than that required of the average engine driver, who, however, is better paid. The transport employers will eventually have to seek two remedies for their labour shortage: to prune their services and be less afraid of raising fares in order to get the money to pay higher wages. The weakest point about the busmen's case is that they always object whenever the employers try to take the first course (which cuts down profitable overtime); the weakest point about the employers' stand is that they cannot know how many busmen they need, or how much they can afford to pay them, until they take the second.

Dangerous Liaisons in Malaya

NEW dangers lie ahead in the Federation of Malaya. The amnesty proclaimed last month has evidently failed, and in failing it has, as some officials feared, even slowed down the normal number of surrenders. Meanwhile the Communists have staged a serious incident which may be of significance, one in which two British soldiers were

killed. This occurred as the Federation's ministers, and Mr Marshall, Chief Minister of Singapore, were considering the new Communist offer to discuss terms for ending the emergency. The obvious implication is that the Communists want a talk "as between Malaysians" with the alien British out of it. The whole point of the amnesty offer was that it was fully backed both by Malaya's newly elected government and by the British, and that Tengku Abdul Rahman had stated more than once that if the Communists refused it, he would throw the whole of Malaya into the fight against them. The Sultan of Johore came in for bitter criticism when he recently asserted that Malaysians were culpably unprepared to do any such thing.

The new Communist offer, like the previous offer made some months ago, cannot be taken as genuine until it is investigated. This Tengku Abdul Rahman and Mr Marshall propose to do, for they are endeavouring to meet Chin Peng, the leader of the Malayan Communist Party, to discuss matters. This prospect must please the Communists enormously. Their original offer was to negotiate as equals; their new offer, though it is wrapped up, amounts to the same thing. The two chief ministers may think that they are going to persuade the Chinese Communists to come in under the terms of the amnesty; they may find that they are being skilfully talked into letting them walk out of the jungles with the honours of war. Some sort of recognition of the party is what the Communists most covet, and they evidently feel they can talk the Tengku round from his former view that he would never concede it. But if they do, how can the British authorities endorse such a "settlement," whatever the terms in detail? Their embarrassment and the inevitable conflict with the new Malayan government is just what Chin Peng and his party want.

This is fully in line with the Communists' tactics for all divided countries (they would like to regard Malaya as divided in the Indo-China sense). To get "both sides" talking helps to open the door for political subversion. The parallel with recent moves by the Pathet Lao and Viet Minh is obvious. The Tengku and Mr Marshall seem to have the backing of Malayan and Singapore public opinion for their move and have discussed it with the Governor of Singapore; but unless they stick firmly to the line that the amnesty is the only offer being made, there will be untold difficulties, and certainly no real peace.

Dr Adenauer Loses a Doubtful Prop

DR ADENAUER has now completely lost the dubious support of the All-German Block, or Refugee Party. The party ended its association with the Bonn government last July, when it began to dissolve owing to disagreements over foreign policy. Half its parliamentary members voted against the Saar settlement, while its two cabinet ministers, Herr Oberlaender, minister for refugee affairs, and Herr Kraft, minister without portfolio, continued to support Dr Adenauer. The party called for their resignation, and declared the coalition ended. Dr Adenauer refused to accept the two ministers' withdrawal and they remain in the cabinet. With five other Bundestag members they have been "guests" of the Christian-Democratic party for the

last few months. The remaining 18 Refugee Party deputies are now going into active opposition.

The government will in future be ten votes short of a two-thirds majority, which it may need when the constitution Bill comes up in the *Bundestag*. But that will probably not be until the end of 1957, and by then a general election will have taken place, which will almost certainly complete the dissolution of the All-German Block. For some time past it has been clear that there is no longer room for a party representing the refugees, most of whom have been politically as well as economically assimilated. The Refugee Party remained a pressure group which mustered only 27 members in the Lower House, although no less than one in four deputies is himself a refugee. According to Herr Kraft, the party's failure is due to the fact that "radical elements" have gained control of the branches. In the Refugee Party, as elsewhere in German politics, there is an underworld where neo-Nazis become almost indistinguishable from Communists. Both propose a basically anti-western policy which would lead Germany to abandon its allies for the dangerous field of neutralism, and both are infiltrating the Social-Democratic Party. If the Refugee Party dissolves and its members join the Socialist ranks, Herr Ollenhauer's gain will be more a matter for anxiety than Dr Adenauer's present loss.

Tonic for Colombo Plan

BRITAIN'S decision to increase its contribution to the Colombo Plan technical co-operation scheme is not only welcome but well timed. At the meeting of the Consultative Committee which began last Monday in Singapore, some of the Asian member countries were inclined to be pessimistic about the Plan's progress, and the Indonesian delegate no doubt expressed their general view when he called on the richer countries to increase their contributions, especially of technical assistance. The offer by Britain of £7 million over a seven-year period beginning next April more than doubles the previous rate of contribution.

It now appears to be a foregone conclusion that the Plan will be extended for a further period after July, 1957, when its original six-year term runs out. Most probably the other donor countries—principally Australia, Canada and New Zealand—will follow Britain's lead and step up their contributions to the technical assistance programme. But it will be necessary also to take new decisions about the amount of capital aid which the donor countries will provide in the next period. Britain's contribution is likely once again to be mainly in the form of releases of sterling balances and of aid to the colonial territories out of the Development and Welfare Fund. The money will be well spent, for it is now clear that the Colombo Plan is one of the most successful instruments for channelling aid to South and South East Asia.

The report on the technical co-operation scheme published this week (which is further analysed in an article on page 310) mentions the close working links now established between the Colombo Plan, the UN Technical Assistance Administration, and the American International Co-operation Administration, each of which runs programmes in the

region. But there is still room for better co-ordination of the general strategy of aid to the underdeveloped countries of Asia.

Labour in Search of its Youth

IN deciding to scrap its separate League of Youth and integrate its youth movement with the party organisation at constituency level Labour has again paid Lord Woolton the compliment of imitation. "Youth sections" are to be created within each constituency Labour party, under the guidance of older party members; at Transport House there will be a youth sub-committee of the National Executive. The present national and regional machinery of the Youth League will disappear. The reorganisation was announced during the second secret session at the Margate conference, and although there seems to have been some vocal opposition, it was heavily outvoted.

The change was necessary, if only because the League of Youth was getting top-heavy; the body of the League was puny but it carried a swollen and separate national organisation on its shoulders. Behind the new plan lies the candid admission that the party's failure to appeal to youth is due in no small degree to the direct competition of the Young Conservatives. The Wilson Committee reported that the Tories were able to rally far more young workers at the election. However sad a commentary it may be on the political motives of so many of the young, there seems no doubt that much of the appeal of the Young Conservatives is social—even snobbish—rather than political; but the Young Conservative organisation has also made recruitment simpler. Every Tory under 30 has automatically become also a Young Conservative; Labour's League of Youth has had an upper age limit of 25 (which is being retained) and has had to depend on voluntary enlistment. The twenty-fives and under will now automatically become

members of the new youth sections. The problem now will be to make such sections lively social centres where the young may meet, gossip, play games, dance, date, and anticipate at least the possibility of romance while imbibing a political education—if Labour's young people are susceptible of such an appeal.

Transport House will draw one useful dividend from disbanding the League of Youth—the liquidation of what has apparently become another Left Wing thorn in its flesh. The thorn was scarcely big enough to be worth plucking if there had not been the need to reorganise to meet Young Conservative competition, but the story of the League of Youth carries a familiar warning for Labour: wherever there is apathy, wherever there are small numbers, a Left Wing pressure group is liable to take control.

White Collar Union

ON Thursday at the House of Commons a dinner was given in honour of Sir Ronald Gould, the General Secretary of the National Union of Teachers, who was recently knighted. This particular general secretaryship is more likely than most to lead to the honours list, involving, as it does, not merely the representation of sectional interests, but a great deal of work on committees and councils in the service of education. There are other differences from an industrial union. The NUT tries to keep clear of party politics. It is not affiliated to the Trades Union Congress, and it offers financial support to four parliamentary candidates from each of the three main parties. It is not the union's fault if more Labour candidates are anxious to avail themselves of this help than Conservatives or Liberals. At the last election Labour's chosen four—Messrs Chuter Ede, W. G. Cove, Horace King and George Thomas—were all returned; and one assisted Conservative was also successful—Mr Jennings. But that does not end the list of the NUT's friends at Westminster, for nineteen other MPs are members of the union.

That prosperity has eluded the teachers, in spite of so solid a pressure group, in spite of a shortage of teachers and strong professional organisations, shows what a handicap it is to have a sense of responsibility towards pupils and the public purse. Once in recent years—in 1951—the NUT went so far as to collect resignations. But this was not for money. It was because Durham County Council at that time insisted that teachers in its employ should belong to a union—a condition which benefited the union's membership list but offended its sense of professional freedom. It has never told its members to down blackboard chalks and walk out.

This year, however, gentlemanly methods have not paid too badly. One gain was the more generous allowances for advanced work; about 10 per cent of the NUT's 220,000 members are graduates, probably as many as in the "Joint Four" associations catering mainly for grammar school teachers. The other gain was the start towards equal pay, for which the union had long campaigned. The NUT's next big target, no doubt, will be a three (instead of two) year training for certificated teachers, a change which it hopes to see introduced around 1960, when classes will be getting smaller.

Moscow's Crystal Ball Cracks

ESTIMATES of western economic prospects have always played a key role in the shaping of Soviet foreign policy. It is not surprising, therefore, that the recently observed argument in Moscow over the general line has been accompanied by controversy about the likelihood and proximity of an American slump. The very editorial in *Kommunist* which attacks Mr Molotov (without mentioning him by name) also criticises Soviet economists who take for granted the automatic "self-strangulation of capitalism." It reminds them, with an appropriate quotation from Lenin, that the general tendency of capitalism to "disintegrate" does not preclude rapid growth in certain countries and at given periods, and exhorts them to "judge accurately the real strength and possibilities of capitalism."

This is in striking contrast with diagnoses of impending American and world crisis which are still appearing in other

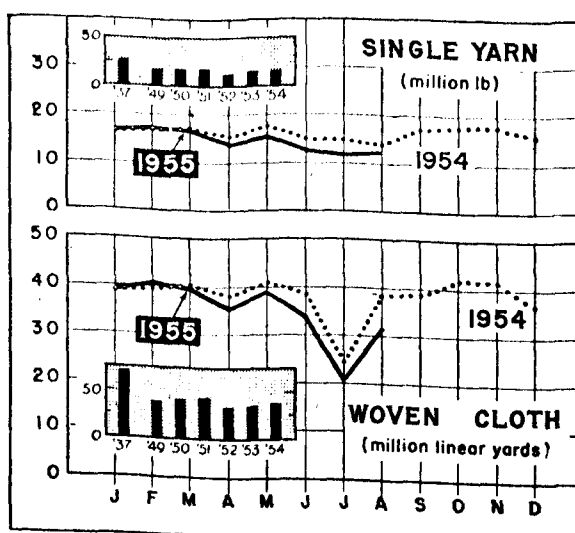
The Bank Charter Act, 1844

It cannot be a matter for surprise at such a juncture, that public attention should be called to the Bank Act of 1844. We shall not be suspected, after the resistance which, almost single-handed, we offered to that enactment at the time it was passed, and the numerous occasions on which we have since pointed out its defects, of any desire to shield it from full and ample discussion. At the same time, it is but too evident, that the subject is being now approached in the heat and excitement of a most exaggerated alarm, which are ill calculated to secure for it a safe solution. . . . The truth is, that no one who believes in the necessity of convertibility, however much he may object to the unnecessary and pedantic restrictions of the Act of 1844, can refuse to recognise the justice of the original principle upon which it is based; or can fail to see that without any Act of Parliament the Bank would be equally bound to regard that principle, while, however, it would be exercised, not by an unbending and iron rule, but by sound discretion from time to time. What is that principle? It is simply that the Bank of England, having large obligations in the shape of bank notes and deposits, all payable at any moment *on demand*, shall keep such a reserve of bullion in its coffers as shall enable it at all times to meet its liabilities—that is, that the convertibility of bank notes, and the re-payment of deposits, shall always be secured. But in order to gain those objects to say that it is necessary, whatever the circumstances may be, whether a drain of gold is progressing or has been arrested, whether trade is sound or unsound, whether imports have been in excess or not, whether the dividends are to be paid the following week, or at a remote time, to maintain certain fixed and immovable relations between the notes in circulation and the bullion in the Bank, is simply to discard all judgment and discretion in the management of the Bank, and to expose the public at times, it may be, to the most needless pressure and inconvenience: an inconvenience too created mainly by the alarm consequent on the provisions of the act itself, as was made so manifest in October, 1847, when the panic was entirely allayed by a letter from the Government to the Bank, authorising the suspension of the Act, although after all its provisions were never invaded.

The Economist

October 20, 1855

OUTPUT OF THE BRITISH COTTON INDUSTRY
WEEKLY AVERAGES



Soviet periodicals. In the latest issue of *Voprosy Ekonomiki*, published by the Soviet Academy of Sciences, the author of a study of postwar trade cycles concludes that a free world slump on the 1929 model ought to occur soon, and that a fall in American production in the very near future may set it off. Its impact, he claims, should be even greater than in the 'thirties.

If Moscow really envisaged this as an immediate prospect, it would determine its foreign policy accordingly. The article in *Kommunist*, however, seems to dismiss it as part of a general tendency towards "dogmatism" and "rigid formulae." This important editorial is, among other things, a plea for opportunism, for a pragmatic approach towards foreign policy. The situation, it points out, does not remain static in either "camp," and a crucial passage refers to "the unceasing change of form and method in the struggle . . . between the progressive and reactionary forces." On the foreign front, we are told, the Communist Party should combine "principles and flexibility." In which of the two has Mr Molotov been found wanting?

Bao Dai Fires First

BAO DAI'S "dismissal" of his independent-minded prime minister, Mr Ngo Dinh Diem, seems at first thought unlikely to cause more than a ripple on the surface of waters long disturbed by greater commotions. There are few more futile gestures than that of the nominal boss who tries to fire an employee and finds himself fired instead.

In effect, the Vietnamese Chief of State is pitting the doubtful strength of his legal authority and standing against the physical assets at Mr Diem's disposal, such as control of the police and army, and the backing of the United States. The ex-emperor prepared the ground last Thursday by a Note addressed to various powers in which he reaffirmed his claims as Chief of State, recalled that he had himself delegated full powers to Mr Diem, who therefore had no authority other than his for remaining in power, and disclaimed any responsibility for the premier's actions. He specifically denounced the referendum Mr Diem intends to hold tomorrow, asking the people of southern Vietnam to choose between himself and Bao Dai as Chief of State.

Bao Dai's Note was not unexpected. More surprising was his communiqué dismissing Mr Diem and reserving the right to take any action which the situation might require—presumably the forming of a government headed by one of the "spare" prime ministers in exile now in Paris. Nobody can be sure how far Bao Dai's action is a last desperate throw, made with no hope of success, and how far he really believes that it has a chance of succeeding. What is certain is that, outside France, he can expect no support from the great powers—with the possible exceptions of Russia and China.

Officially, neither Britain nor America has reacted to the news of the "dismissal"; but their reactions can be guessed. The British will wait and see; the Americans will carry on, as far as proves possible, as though nothing had happened. The British, while aware that in the eyes of international jurists Mr Diem's regime may now be a revolutionary one, will no doubt be guided by the extent to which he retains control over his own domain. The

American government, which has reaffirmed its wholehearted support of Mr Diem, will presumably hold to this course. But memories of the personal message President Eisenhower sent Bao Dai last February may contribute to making the new situation embarrassing for them as well as for the other powers directly concerned.

Nenni and the Rising Sun

THE phenomenon of "Nenni" socialist parties is more interesting than ever these days. Docilely following Moscow's international line but hugging their formal separation from openly Communist parties, they are obviously of very special value to a Soviet regime which is relying more and more on the technique of the pull rather than the push. It has long recognised Signor Nenni himself as a major asset—he was the only "non-Communist" in the international galaxy of party bosses who presided over Stalin's funeral rites—and now he has enjoyed what his own newspaper calls the "unprecedented honour" of visiting the Soviet leaders at their Black Sea retreat. The Italian Communist press reproduced this news rather coolly; Signor Togliatti has never been thus honoured. The Russians can hardly expect this reminder of Signor Nenni's intimacy with them to win his party more support among moderate Italians. But they no doubt hope that his visit will encourage other Italian politicians, perhaps even ministers, to make pilgrimage to the "third Rome."

They may also hope that what Signor Nenni's party has been in Italy, the newly united Socialist party will in future be in Japan. On paper, the left-wing Japanese Socialists conceded more than the right-wingers to achieve the merger, but they have secured the leadership of the united party and have a majority of its Diet seats. Admittedly they face the risk that Japan's two conservative parties may now be spurred to unite in turn. But if the Democrats and Liberals continue to squabble about the formula for their unification, a united Japanese Socialist party dominated by its leftists, whose stand on international issues is often indistinguishable from that of the Communists, will put in the hands of Moscow and Peking a string which they can pull whenever occasion demands.

"Citizens of Tomorrow"

FROM time to time, some eminent man or woman publicly expresses concern about the state of modern youth and lets loose a flood of letters in the national press. It was one such spate of concern that prompted the survey undertaken by King George's Jubilee Trust of the influences, good and bad, affecting boys and girls growing up in Britain today. To carry out the survey,* published this week, the Trust appointed four working parties to cover the four

* "Citizens of Tomorrow." Published by Odhams for the Council of King George's Jubilee Trust. 3s.

phases of adolescent life: the period of full-time attendance at school; the period after leaving school—influences of employment; the period after leaving school—influences of leisure; the period of national service. Reading their independent reports, one cannot but be impressed by the number of times that they come to the same conclusions.

One of these is that National Youth Advisory Councils should be established for England and Wales and for Scotland. Any proposal of this sort is bound to be looked at askance—it is such an easy way out for a committee trying to think of concrete recommendations—but in fact there may well be need for a body, provided it is not unwieldy, to co-ordinate the work already done by the other advisory councils concerned with specific aspects of young people's welfare. Another recurrent theme is that pressure for improvement can most profitably be brought to bear in the schools. Opinions may differ on whether county colleges should, as the Trust proposes, be given precedence over raising the school-leaving age. No one will disagree with the contention that a country cannot afford to let most of its citizens of tomorrow leave school at 15 with no regular provision for further education, especially when for boys the prospect is overshadowed by national service. Here again there is unanimity among the working parties: national service should no longer be regarded as a distasteful necessity, but as a necessity that can be turned to good account.

Perhaps the one difference of emphasis in the reports is significant: the working party dealing with the period in the services does not stress the state of unsettlement to which the other reports say boys are brought by the gap between school and call-up. The services are, on the whole, satisfied with the material they are given. Modern youth, as indeed is implicit throughout these humane and sensible reports, is not so black as it is often painted—a truism that is rediscovered in each generation.

The Naval Tradition

THE hundred and fiftieth anniversary of Nelson's victory at Trafalgar is no ordinary naval occasion; and it is fitting that the Queen and the Duke of Edinburgh, himself a naval officer, should attend the Trafalgar day dinner at the Royal Naval College, Greenwich. The Navy renews its inspiration of service, and rightly, from the example of its greatest commander; it has also, and no doubt rightly, done all it can to draw the country's attention to it this year. The First Sea Lord, Admiral Mountbatten, will no doubt redefine the meaning of the Nelson tradition for the naval situation today, when Britain's Navy is the third largest, when most of the offensive role in nuclear warfare has been appropriated by the air weapon, and when, indeed—as the Defence White Paper last February showed—it was something of an afterthought that the Navy was allowed an offensive role in the modern world at all. Where in the Mediterranean nuclear-armed navies can today play a most important role for Nato, it is rather the American sixth fleet than the Royal Navy which forms the spearhead of the attack.

But Lord Nelson was himself often outnumbered (he was at Trafalgar), and his tradition is not tailored solely to the girth of the world's largest navy. He laid down

rules of sea strategy which are now relevant to the West as a whole as the potential commanders of the seas. But it is a tradition which must, as it can, be made to embrace the new facts of air power, supersonic speeds, and nuclear weapons. Among the various Nelsonian precepts, "engage more closely" in an age of steam lost the battle of the Coronel Islands, covered the *Jervis Bay* in glory, and won the battle of the River Plate; but Nelson's strategic grasp and tactical inspiration must now be further adapted to warfare in which (as Field Marshal Montgomery noted) the Navy flies, the RAF fights at sea, the Army takes to the air. The worst thing that could happen to the Nelson tradition is that it should become the Navy's preserve, a parochial tradition keeping one service in proud and fatal mental isolation from the others. Nelson would have dealt with any such atavism with the ruthless single vision that was peculiarly his.

Turkish Democrats in Trouble

THE misgivings aroused among foreign observers by the anti-democratic tendencies shown by the Turkish government since its sweeping victory at the polls eighteen months ago have now been reflected inside the ruling Democratic party itself. At the party's national congress, which ended early this week, nine members were expelled for their opposition to a section of the controversial revisions of the press law introduced last year, while ten others resigned from the party of their own accord.

The revised press law, under which a number of journalists have been sent to prison, denies those accused of libel of the right to plead justification; and the dissident members of the Democratic party believe that this endangers both the freedom of the press and the principles of their own party. It is no doubt true that the Opposition press has sometimes behaved with insufficient restraint and good sense. But Mr Menderes has given the impression that he resents any criticism, however justified, of the country's pressing economic difficulties and the government's handling of them. This impression, together with the use which the government has already made of the vague wording of the press law—it is open to very wide interpretation—account for the misgivings felt both inside and outside the country over the freedom of the press in Turkey. It is, however, only fair to add that two Opposition newspapers in Istanbul which were suspended after the Istanbul riots under the provisions of martial law (not under the press law) have just been allowed to resume publication.

The nineteen dissident members of the Democratic party, who include four former cabinet ministers, will now sit in parliament as independents. Although their defection does not endanger the government's huge majority, some newspapers have apparently suggested that Mr Menderes (whose hold over the rest of the party seems to be as strong as ever) will introduce a constitutional amendment allowing him to expel the rebels from Parliament. It is to be hoped that the rumour is false; and if it is not, that Mr Menderes will think again before he carries his animosity against the rebels to such flagrantly undemocratic lengths.

Indonesian Square Dance

IT will be several weeks yet before the full results of Indonesia's first elections are known; but the progress of the vote-counting has already modified the disquiet aroused by the earliest returns. The Nationalists (PNI) still lead, but the Communist party (PKI) has dropped from third to fourth place, while the moderate Masjumi has risen from fourth to second, the breakaway Moslem party, Nahdatul Ulama, falling back correspondingly from second to third. Since three million votes are being recounted in Central Java, where "widespread irregularities" were reported, the Communists may end up even further down the list. According to the first count in that area, they polled 1.9 million votes, running second to the PNI and well ahead of the Masjumi's 800,000 votes.

While the result of the recounting cannot be foreseen, the nature of the irregularities can be inferred from the vote-catching tactics adopted by the Communists, who in some places apparently made good use of a local superstition that pricking an effigy of one's enemy is the surest way to put the evil eye on him. They organised a whispering campaign among the villagers on these lines: "The Communists are your enemies. They have brought harm

to the country and to the last government. If you want to make sure they lose, prick your ballot paper through the Communist symbol." Since perforation of the favoured party symbol was the method used to enable the illiterate voter to exercise his democratic rights, this advice may have yielded them handsome dividends.

In spite of these wiles, the election again looks—as it did before the polling—like a fight between the PNI and the Masjumi, with the Nahdatul Ulama as a complicating factor. But it no longer seems certain that the PNI will win; the first returns from Sumatra and remoter regions strongly favour the Masjumi, and the allocation of parliamentary seats in these more sparsely populated areas is such that Masjumi successes there may offset a Nationalist majority in the total poll.

It is clear, in any case, that none of the four main contesting parties will emerge strong enough to form a government either on its own or in coalition with only one other party. Any new coalition will thus consist of a minimum of three parties, and the unwillingness of the Moslem parties to collaborate with the Communists would alone force the Nationalists, if they get first pick of partners, to leave the PKI in opposition. The PNI is, in any case, divided; and the balance of power is now such that its left wing may find it inexpedient, if not impossible, to respond to the advances of their erstwhile Communist friends.

party system, should be the policies of the "Blimps" and the "Blumplesskells"? Can we have an article on that?—Yours faithfully,

HINCHINGBROOKE
House of Commons

The Oppenheimer Case

SIR—While I am inclined to agree with your reviewer that the Oppenheimer case may prove to be desperately costly to the USA, I do not think that the whole affair can be dismissed as a witch-hunt conducted by revenge-thirsty officials.

Behind the campaign against Dr Oppenheimer there was a hidden fear which may have been unfounded, yet was by no means altogether illegitimate. There is no escape from the fact that the limitless energies derived from nuclear friction concentrated a frightening power over life and death of millions in the hands of a small number of scientists; a conglomeration of power utterly inconsistent with the principles and practices of democracy. Some of Dr Oppenheimer's opponents were, no doubt, motivated by the healthy repulsion that freedom-loving people must feel at the apparent emergence of a new aristocracy much more awe-inspiring than any of its historic predecessors. To see the most prominent member of such a formidably powerful clique bending to the decision of a constitutional body was, if not a noble, at least an understandable aspiration.

In the classical tragedy that took place we do not add to the stature of the hero by representing his enemies as pigmies. —Yours faithfully, GEORGE A. FLORIS
London, N.W.1.

Letters to the Editor

Mr Diem Loses Favour

SIR—I was distressed to read the article in your issue of October 8th. Your correspondent made no mention of the complex problems inherited by Mr Diem, who had no means of dealing with them because the army was in foreign hands and the police had been sold by Bao Dai to gangsters. It is gratifying to note, however, that though the author was severely critical of my government and its leader, he had the courage to admit that Mr Diem is neither a French nor an American puppet. Can the same thing be said of Ho Chi Minh and his "efficient dictatorship in the north"?

Perhaps Mr Diem's good intentions have not always been matched by equally good performances, but despite his shortcomings, he remains, by and large, the best hope for a free and democratic Vietnam.—Yours faithfully,

TO-NGOC-THACH,
Private Secretary
Vietnam High Commissioner's Office,
Paris

Wheat in Plenty

SIR—The argument contained in your leading article of October 1st, that too

much wheat is being grown in the United Kingdom, is no doubt correct, but the arithmetic about the saving to the taxpayer fails to take account of the subsidy on coarse grains. If, as you propose, wheat acres are diverted to coarse grains, surely more subsidy will be payable, not only because the acres paid on will be more numerous, but also because prices will fall relative to the guaranteed price used in the calculation of the rate of acreage payment. Your article simply ignores this debit and coolly swipes the whole of the saving in wheat subsidy for the credit of its clever idea. Of course, there probably would be a net credit, but not a gross one.—Yours faithfully,

R. N. HIGINBOTHAM
Robertsbridge, Sussex

Bournemouth and Margate

SIR—Three months ago *The Economist* was exhorting the Conservative and Labour parties to refrain from "Butskellism." Now the Conservative party is congratulated for shedding its "Blimps" and the Labour party is urged to do the same with its "Blumps." What, please, since you like the two-

Books & Publications

The Business Man in Politics

THE UNKNOWN PRIME MINISTER:
The life and times of Andrew Bonar Law 1858-1923.

By Robert Blake.
Eyre and Spottiswoode. 555 pages. 42s.

OFFICIAL lives of prime ministers usually impart a solid mass of the dead statesman's letters, with some reticence over personalities, much justification of the career concerned, and a certain flavour of moral purpose. This life has some features in common with its predecessors; but, as befits its sceptical subject, the preaching tone has been left out, and thanks to Mr Blake's terse and scholarly English the length is not excessive. Moreover, many details have been included of the kind that it has been customary to omit, details that show the *dessous des cartes* of politics: the tiresome, and essentially minor, questions of party management and of patronage that yet take up the energy of leading politicians, and absorb the entire attention of many of their followers—the tale, for example, of the noble earl who remained treasurer of a great party after he had ceased to be able to give any coherent account of his actions, and left obsequious legacies to royalty but no money to pay them. The dominant role so often played by accident and personality is given its full weight, neatly assessed against the economic and political background. In this connection, among several new points dredged up for the historian from the wealth of archives Mr Blake has consulted, comes evidence that a powerful, and probably a conclusive, factor in determining George V's choice of Baldwin instead of Curzon to succeed Bonar Law in 1923 was the communication to the King's private secretary, by one of Bonar Law's private secretaries, of a paper by another putting the case for Baldwin strongly; this communication was made without Bonar Law's authority and indeed against his instructions.

Bonar Law's father was an Ulster Presbyterian minister, and his mother a Canadian Scot; he spent his first twelve years on a New Brunswick farm. Then he moved to Glasgow, where he left school at sixteen; and he worked there for twenty-five years. By 1900, when he entered parliament, he was a wealthy man, and passionately ambitious for political success; for this his business career had prepared him, not financially alone. "People are always apt to think," he said in 1922, "that what has been will be." I am less inclined perhaps than most men to that error because of my early training. I was in the iron trade,

a highly speculative business with frequent violent fluctuations in prices." His combative spirit made him conspicuous; and he combined with it superb managing ability, rare concision as a speaker, and a transparent integrity that brought him, in the end, a mastery of the House of Commons as great as that of Peel, who was said to "play on it like an old fiddle." These qualities, helped by accident and zeal, brought him to the leadership of the Conservative party just as the Ulster crisis of 1912-14 began. On Ulster he was a bitter extremist, though he was far more prepared to contemplate home rule for the rest of Ireland than were most of his party companions.

Ambition was dulled by family disasters; his wife died comparatively young, and his two eldest sons were killed in the Great War. He did not push himself forward during the war; he had a far better claim than Lloyd George to be minister of munitions in 1915, and quite as good a claim to be prime minister in the following year; each time, he stood down. His steady influence as second-in-command over the volatile Welshman was of incalculable weight. The war once over, and his health weakening, he retired: yet the great ship of his personality, once under way, could not be brought abruptly to a stop, and he became prime minister himself before he died. Where was that ship going? One is tempted at first to apply Salisbury's judgment on Disraeli, "whose only final political principle was that the Party must on no account be broken up." Yet this would be unfair to the man who said at a Carlton Club meeting in 1916 that, in wartime, "we are bound to do what we think right in the national interest without regard even to the interests of our Party."

Freud and his Followers

SIGMUND FREUD: *Life and Work, Volume II, Years of Maturity 1901-1919.*
By Ernest Jones.
Hogarth Press. 552 pages. 30s.

THIS second volume of the biography of Sigmund Freud is more limited in its appeal than the first. Although some parts are of general interest, others require a rather more extensive knowledge of psycho-analysis than is possessed by the average lay reader. In particular the central section, dealing with the "Works," contains a series of brief notes that are often obscure without

a prior knowledge of the books and papers to which they refer.

Probably the most interesting section of the present volume is the inside history of the disagreement that led to the split between Freud and his early followers Stekel, Adler and Jung. It can perhaps be suggested that the history is so much an inside one that a good deal of bias remains. "Stekel had, however, a serious flaw in his character that rendered him unsuitable for work in an academic field; he had no scientific conscience at all." Adler was "a morose and cantankerous person," while Jung is pictured as a conventional Swiss, who lacked the courage to go on maintaining against opposition that sexual motives play the dominant part in human life. Poor neurotic Ferenczi, on the other hand, who remained faithful, escapes with the judgment that he "was an excellent analyst, and was also very good at analysing himself. But he had the unfortunate peculiarity of not benefiting adequately from self-analysis."

The personality of Freud himself, though it remains attractive, seems to have changed since the first volume. Instead of the scientist we seem now to have a philosopher and man of letters. In either case it is an oddly Victorian character that emerges, Victorian even in the leather shorts and Tyrolean hat worn on holiday in the mountains.

One general criticism remains, not merely of the present volume but of much psycho-analytic writing. In the chapter on "Opposition" Dr Jones points out that "The intense wave of hostility that greeted Freud's work in the years before the first World War now seems very remote." It has, however, been replaced in many quarters by an uncritical acceptance. This phenomenon itself should be familiar enough to psycho-analysts, but most seem content to accept it at its face value. The *ipsissima verba* of the Master are still used in a rather magical way, and Dr Jones too often says "Freud discovered" instead of "Freud suggested." Freud did discover a great deal with astonishing penetration, but it seems likely that he also made many mistakes. He himself was constantly groping. His followers do him no honour when they are reluctant to change or even abandon his theories. Dr Jones fails to communicate to his readers the important fact that what he is describing is but the beginning of a great enterprise, and that the end is not yet in sight.

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difficult if not actually invidious for a close friend to write." But it can be said at once, and with enthusiasm, that Mr Boyle has succeeded handsomely. Group Captain Cheshire emerges from this thoughtful and balanced account as an extraordinary complex mixture of the introvert and the man of action. His flair for self-advertisement, his ruthless impulsiveness, overwhelming self-assurance and general disregard for the opinions and advice of others have made many people feel that, even when all his obviously fine qualities are put on the other side of the scales, he is little more than a brilliant eccentric—and a somewhat unpleasant one at that. Anyone opening this book with some such pre-judgments in mind may find apparent support for his views in Baron's photograph of Cheshire. Here is the face of an intense, almost frighteningly alive man—a man who, one feels, might easily burn himself out. But is it also the face of someone who can find in himself the daily steadiness of purpose necessary to reach a high ideal? The title of this book is an expression of the author's hope (confident hope, perhaps, but not yet a certainty) that the answer is yes, that Cheshire's greatness will one day be measured not only, and not mainly, by his country's highest award for valour but by higher standards still.

Cheshire's childhood and upbringing, his misfit days at Oxford, his career in the RAF, his spectacular leadership of the famous 617 dam-busting squadron, his important contribution to increasing bombing accuracy by pioneering a new low-level marking technique—all this is told clearly, very readably, and with an authority which should effectively dispel much of the waffle that has been talked and written about Cheshire by so many people. In particular, the author is at pains to debunk the misconception that the final climax of Cheshire's career in the RAF—his observation of the atom-bombing of Nagasaki—was also the critical turning point in his life. The change, when it came, was gradual and was initiated, not by the holocaust of atom-bombing, but, if by any one event, then by the sufferings of one man dying of cancer some years later. The last sections of the book deal with Cheshire's peacetime activities, the so-called VIP homes for ex-Servicemen (which failed), the homes for the chronic sick (which succeeded) and with his adoption of the Roman Catholic faith, a process described with understanding and sensitivity by the author whose own religious beliefs are clearly apparent but never intrusive. One is left to reflect on a life of already great achievement and of even greater promise, the life of a man who has always chosen the hard way, who is, in the very perceptive phrase of his housemaster at Stowe, "a stranger to pretence in any form." Lesser mortals who, consciously or otherwise, carry into adult life the "let's pretend" of childhood as a protection against excessive bruising of the ego, should find this very honest book disturbing and exciting in just about equal parts.

Britain and Europe

COMMONWEALTH D'ABORD.

By Yves G. Brissonnière.
Paris: Editions Domat Montchrestien.
372 pages. 920 frs.

ANY work on Britain that comes with a preface from M. André Siegfried deserves respectful attention; as he says, also, there has for more than twenty years been no important French study of the Commonwealth, and some at least of the misunderstandings between the British and their European neighbours have been due to their ignorance of its rôle and functioning. M. Yves Brissonnière, a young French lawyer, has made a gallant if not altogether successful effort to explain the obstacles which the existence of the Commonwealth puts up to the incorporation of Britain in a Western European federation. His work suffers, as he admits, from the failure of British statesmen and publicists to do more than indicate that the obstacles exist; they rarely condescend to explain their nature.

Indeed the whole literature on Britain's relations with the West European movement is surprisingly inadequate. Apart from a brief *livre de circonstance* written by Sir Ivor Jennings as long ago as 1940 and another short study by Mr R. G. Hawtrey, M. Brissonnière is compelled to rely very largely upon what one may without disrespect call such marginal political figures as Sir Robert Boothby and Mr R. W. G. Mackay. The nuances of the British political and intellectual scene are not always apparent to the author—Lord Layton will not find it pleasant to be described as "another Conservative"—and although using English terms of set purpose, M. Brissonnière does not always fully understand them—he does not seem to know what is meant by "partition" in relation to Ireland. He suffers, like most continental writers, from a difficulty in handling British names and confers knighthoods with embarrassing facility. The proofs were not read by anyone with a knowledge of English.

It would be a pity to be put off by all this, for M. Brissonnière has done a useful service; he does show conclusively that, apart from any other considerations, and even if formulae could be found for getting round the technical difficulties of the position of the Crown, allegiance, and so on, the Commonwealth could not function if Great Britain ceased to be a sovereign country able to negotiate and confer with its Commonwealth partners on terms of complete equality of status. On the other hand, he argues that the Commonwealth idea springs so inescapably from the entire British heritage of legal and political thought—a heritage quite different from the continental one—that it cannot be recommended to continental countries as an alternative to a federal system.

M. Brissonnière's own positive solution for the problem is not worked out in detail. It consists in what he calls

"external association." It is fairly clear that he has not grasped how little that meant from the point of view of co-operation in the case of Ireland, or how little it would probably have meant even if it had been adopted in 1921. His reiterated conviction that Ireland is even now regarded as part of the Commonwealth shows an ignorance of the change in 1949; his references are mainly to Professor Mansergh's writings before that date. Nor does Burma, which he regards as externally associated in all but name, seem a happy parallel. Indeed the proposal for a joint council between Federal Europe and Britain (and any other externally associated member of the Commonwealth) suggests something quite different from what "external association" ordinarily implies. One would say that Britain's relations with its Brussels Pact and Nato partners have already gone further than "external association." Less law and psychology and more history and economics is what the continental discussion of these things most requires.

Intellectual Aunt Sally

RETREAT FROM REASON.

By Peter Nathan.

Heinemann. 262 pages. 15s.

THIS book is full of generalisations about an Aunt Sally called "the intellectual," who is, apparently, the normally intelligent human being. It debunks, with a good deal of repetition, and some gratuitous insults, his love, religion, family affection and integrity. All interpretation of history, says the author, is a distortion, since it selects events to fit in with a special scheme. The present selection leads, from the premise of the renaissance—"the great triumph of life over the morbidity of religion"—to the modern dilemma that man, finding a state of disillusion insupportable, fills the niche violated by the intellectual iconoclasts with other idols; lacking a system that allows him to live in peace with himself and his neighbour, he is isolated, insecure and afraid, without reverence or a sense of duty. The fundamental situation of the present-day European is found to be epitomised in Lawrence's introverted offspring of a marriage between a masterful, intellectual woman and a drunken, happy-go-lucky lout; or Turgenev's ineffectual idealist in thrall to the "world of mother."

These are Dr Nathan's distortions, but, in fact, there has never been a time when mankind lived at peace with himself and his neighbour, and the search for this utopian state (but the author is very acid about utopias) is as normal a part of existence as the search for food and shelter. To people who have their being in the much despised bourgeoisie, the world seems remarkably full of mothers who do not lust for power, and of young men and women working with intelligent enthusiasm for a chosen career, falling in love, marrying, having children, educating them at considerable sacrifice, and ignoring, with perennial

human courage and adaptability, the menace of catastrophe. And as this "neurotic bourgeoisie" continually renews itself from aspirants in the immediately inferior social strata, it is reasonable to suppose that the human situation will continue much the same.

Dr Nathan is more dangerous when he flippantly alludes to "the coming war between Russia and America," or "our twentieth century with its certainty of three world wars and the probability of more," implying that all striving for peace is too trivial to be noticed. He sums up in a collection of banalities: that there is a good deal of psychology in modern literature; that science will continue to progress; that the family is of paramount importance in the structure of societies; that a purely objective judgment is impossible; and that the wise man will wait upon events.

Much tiresome assertiveness tends to obscure the author's considerable wit and penetration, for, as his publishers assert, this is a readable book (a minimum requirement) and a provocative one. Dr Nathan packs punch. It is to be regretted that his blows are sometimes below the belt.

Early German Socialists

GERMAN SOCIAL DEMOCRACY
1905-1917.

By Carl E. Schorske.

Harvard University Press.

(London: Geoffrey Cumberlege.) 373 pages. 45s.

THIS is uphill work to read. Not only is the matter ponderous; the manner for British readers is unfamiliar. The diligent student of recent German history will, however, feel rewarded, for he must long have asked himself how he should reconcile the stormy history of the Social Democratic Party in its days of outlawry before 1890 or even in the period of the strikes in 1905 with the pale pink days of Ebert as President of the Weimar Republic. Mr Schorske has now provided a detailed and documented answer. The critical years, he shows us, were from 1905 to 1907. Before the Russian revolution of 1905, according to the teaching of Marx and Engels, the German Social Democrats were anti-Russian because Russia was, by the masters' definition, the "bastion of reaction." Further, the Socialists were champions of a citizen army in order to get the means to power into the hands of the people. But after 1905 the political significance of Russia became equivocal, and, after their losses in the general election of 1907, the German Social Democrats lost their revolutionary interest in an army of the people; the election was fought on a nationalistic issue, and thereafter the revisionists and the trade unionists wished above all to retrieve their position in the Reichstag by supporting national defence and a citizen army in Scharnhorst's sense.

The left-wing revolutionaries of the German Socialist party fought hard for the bold use of the general strike, for

intransigent anti-militarism, and for the mobilisation of Socialist sentiment among the young. But, although there was talk of a general strike in support of the campaign for the reform of the Prussian franchise in 1910, they were defeated all along the line by the trade unions. As Mr Schorske insists, "the ratio of trade union to party members in 1906 was approximately four to one," so that the trade union leaders controlled not only large-scale funds, but also a decisive number of voters. This is the background to Socialist support for war credits in 1914, and the subsequent break away from the party of the left-wing revolutionaries who thus became the parents of the German Communist party. The latter was but their illegitimate child. For Rosa Luxemburg and her comrades were not only genuine and intelligent idealists; most of them were also splendidly freedom-loving, several like Hugo Haase and Kurt Eisner being true to the radical rather than socialist origins from which they derived.

These highly individualistic intellectuals were, of course, easily outplayed by the organisers on the right wing such as Friedrich Ebert. Many people have become accustomed to think of Ebert, Noske and Otto Braun simply as figures in the Weimar period; it is interesting, in turning these pages, to ruminate upon their earlier life and to find how remarkably consistent most of them were. When Karl Liebknecht had taken up the matter of Socialist youth movements he found one of his warmest allies in the

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schoolmistress, Klara Zetkin, who, as its oldest member, presided in the Reichstag in 1932, delivering a Marxist speech immediately before the election of Goering as its chairman.

Mr Schorske concludes with an elaborate bibliographical essay in which one of the most important points that he makes is that "The political histories of the separate states, so important to an understanding of Social Democracy, have yet to be written": his foregoing narrative is much concerned with the diversity of development in the different regions of Germany according to political traditions and industrial concentration or the reverse.

Prosperous Democracy

A HISTORY OF SWITZERLAND.

By Charles Gilliard.

Allen and Unwin. 116 pages. 8s. 6d.

BY some extraordinary chance a standard short history of Switzerland in English does not already exist. This translation of M. Charles Gilliard's book does go part of the way towards filling the gap, but it must be confessed that it is rather disappointing.

The fascination of Switzerland to a twentieth century reader is so obvious as to be almost banal. How have these prickly, obstinate people, speaking four languages and following two religions, living in a country with few material advantages, managed to overcome their differences, to achieve and maintain their independence, and, into the bargain, to evolve a prosperous democracy that really works?

The history of Switzerland is quite as complicated as that of its neighbours, and in many ways the same. But while they all, including the Swiss cantons, embarked upon conquests and were themselves conquered and annexed by other neighbours, the Swiss never quite lost sight of the first Swiss Confederation, the Everlasting League, sworn in the Rütli meadow in 1291. If it is complained of the present-day Swiss that they are smug about the happenings of seven hundred years ago, it can be answered that they have reason to be. In common with the Swiss cantons, other pastoral communities early evolved councils to control common tasks such as tending cattle on the summer Alps. Granted that they did not all have the luck to be placed across some of the most important routes in Europe which could hardly be used without their good graces; granted that they were not all so difficult to get at and conquer, only the Swiss had the ultimate common sense to subdue their own factional squabbles. The later additions of other cantons to the confederation, the successive weathering of the storms of the Reformation, of the economic struggles of the seventeenth century and the doctrinaire ones of the eighteenth, and of the French occupation, all stem from the first common

need and common sense which brought the cantons together.

M. Gilliard manages to cram most of the political facts into some hundred pages, but he only mentions a few economic facts in passing, so that the reader is left with some idea of how Switzerland evolved and held together politically, but with very little idea of how the country has got its bread and butter and how it is getting it now. But the greatest pity is that he seems devoid both of a point of view and a narrative sense, for a large number of closely packed facts, given equal importance, makes stodgy reading.

Shorter Notices

PAGEANTRY OF THE LAW.

By James Derriman.

Eyre and Spottiswoode. 224 pages. 25s.

This is a bedside book, for laymen as well as for lawyers. To read too much at a time leaves the erroneous impression that too much legal activity is occupied with the forms rather than with the substance of justice. Some psychologist could write an entertaining study about why lawyers, ostensibly the most hard headed and incisive of men (and women), should cling to ancient forms and dress; presumably their love of precedent overcomes their realism.

Mr Derriman does not venture any reason why, for example, the judicial wig still has a bare patch on the crown or, indeed, why judges and barristers continue to wear wigs at all; he is content to record the origin of this and other curious habits. Whatever the iconoclasts may think, most lawyers and quite a number of laymen feel that something valuable would be lost if legal pageantry, in which there is a certain time-wasting element, were abolished or substantially reduced.

The amount of research which Mr Derriman must have done is prodigious; in order to prove him wrong on any point, at least as much would have to be done. He describes in detail the customs and traditions of the Bar, devotes a short chapter to "attorneys and solicitors which are but ministerial persons and of an inferior nature," and discusses the dress, duties, privileges and even the pleasures of Her Majesty's judges particularly when they "ride the circuits." He retells several quite good anecdotes, but unhappily omits several other better ones. There are some excellent photographs, including one of "a handful of embarrassed policemen bearing staves" at the last Assize held at Monmouth. Mr Derriman can take comfort from the fact that, with the transfer of Monmouthshire Assizes to Newport, for some reason the policemen, although still bearing staves, no longer look embarrassed.

ELECTIONS AND ELECTORS.

By J. F. S. Ross.

Eyre and Spottiswoode. 480 pages. 42s.

All students of British Government have been indebted to Dr Ross for his work on "Parliamentary Representation." They will find its sequel of much less value. "Elections and Electors" is a mélange of articles and essays on aspects of elections and parliamentary government. Its most valuable section is that in which Dr Ross brings his

work on the membership of Parliament up to 1951. Elsewhere in the book many useful facts about elections are gathered together but, as a whole, it is likely to prove palatable neither to the general reader nor to the specialist; it is much too prolix and disorganised for the one and contains too little new material for the other. Against the extreme precision of the author's compilation of facts must be set his inability to select those which are significant and the vituperation which he heaps on those who do not share his views on lost deposits or proportional representation.

CAN YOU CLAIM? An insurance quiz on life and property, motor-car and other risks. By John Yaxley. Chatto and Windus. 74 pages. 6s.

The intention of this book is to guide the layman on how to make the most of his insurance policies by finding out what contingencies are covered and whether, by paying a small extra premium, he would obtain more benefit from the policies. Nearly two hundred questions and answers cover life assurance, house property insurance, household goods, valuables, motor-cars, personal sickness, accidents and other risks. The author believes that many policy holders fail to make full use of their insurance, and this well-indexed book should give them every opportunity to do.

PICK'S CURRENCY YEAR BOOK 1955.

By Franz Pick. 395 pages. \$35.00.

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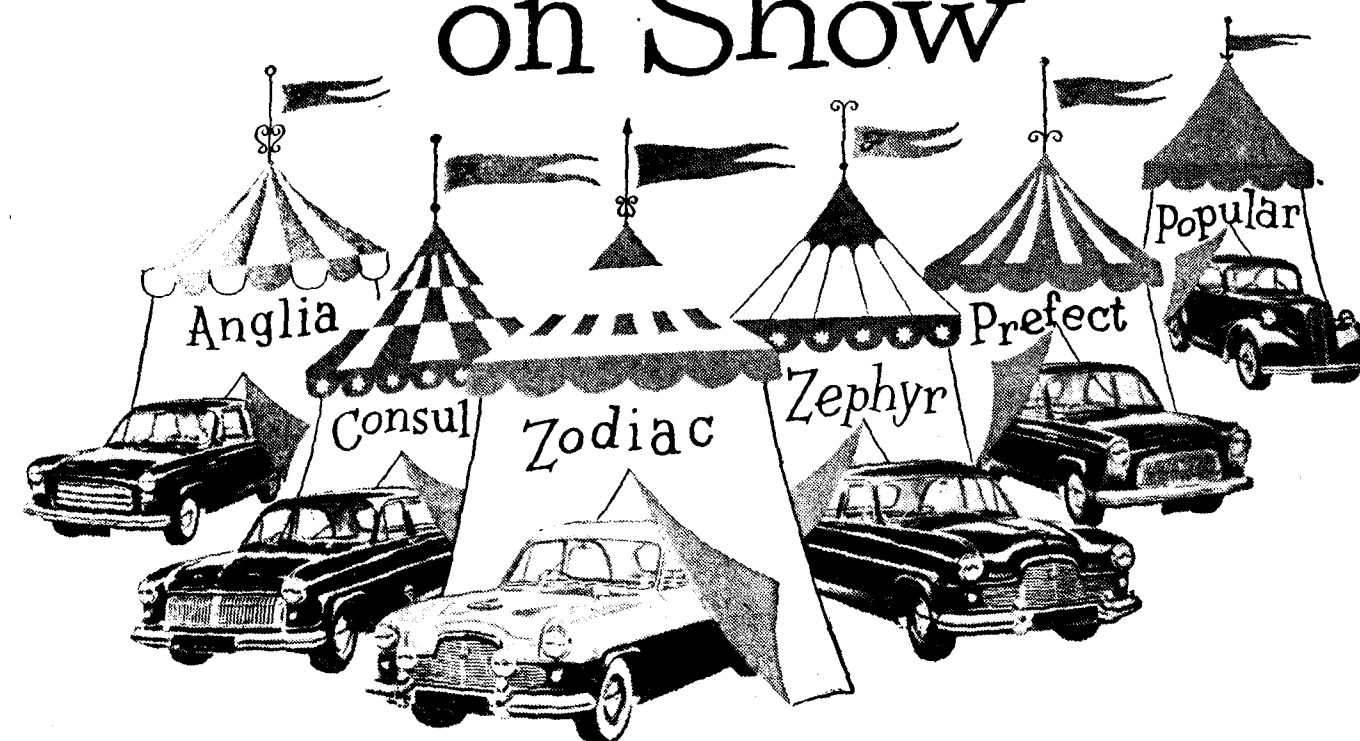
By Franz Pick. 224 pages. \$25.00.

Pick's World Currency Report, New York.

Mr. Pick's painstaking annual catalogues of the complexities of world currency regulations—and, equally important, of the plethora of currency markets, black, grey and officially tolerated, that are the inevitable accompaniment of the regulations—are now well established as indispensable handbooks for all whose business leads them into the intricacies of the once simple matter of buying one currency with another. The "Report" contains not only a full account of the regulations, past and present, governing every individual currency, but also extensive tables of dealing rates in the diverse unofficial varieties of the currencies. But this aspect is covered more admirably still in the "Year Book," whose lavish production and strikingly clear presentation are beyond praise.

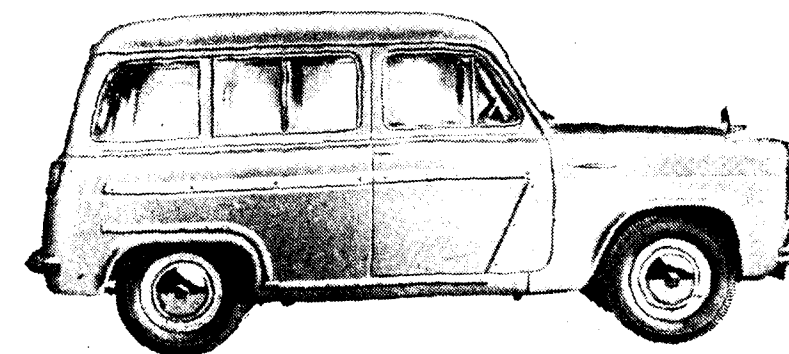
Despite the incredible diligence of Mr Pick's researches into the underworld of the exchanges, there could be no firmer opponent than he of the exchange restrictions on which the unofficial markets thrive. "I devoutly hope," he states, "that this edition of the black market year book will be the last." And Mr Pick is, happily, able to report some progress this year; not least in the freeing and simplification of sterling. Even Mr Pick is now able to count only nine varieties, where he once found sixty-nine. Only one complaint seems due—that in his classification of currencies according to the freedom with which they are controlled, sterling should be placed in the same category as the Brazilian cruzeiro and in a more restrictive one than, for example, the Chilean peso and the Austrian schilling.

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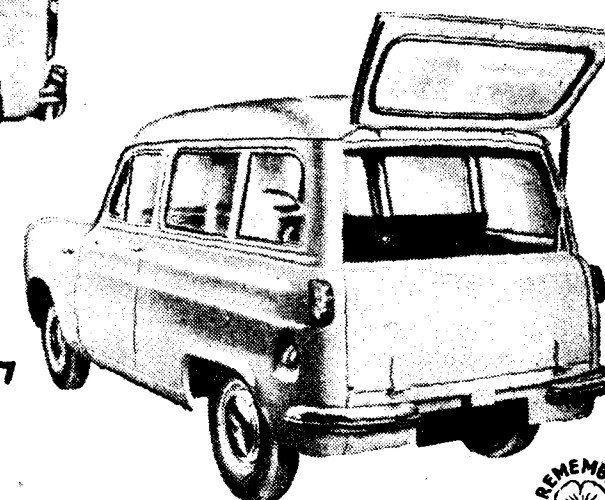


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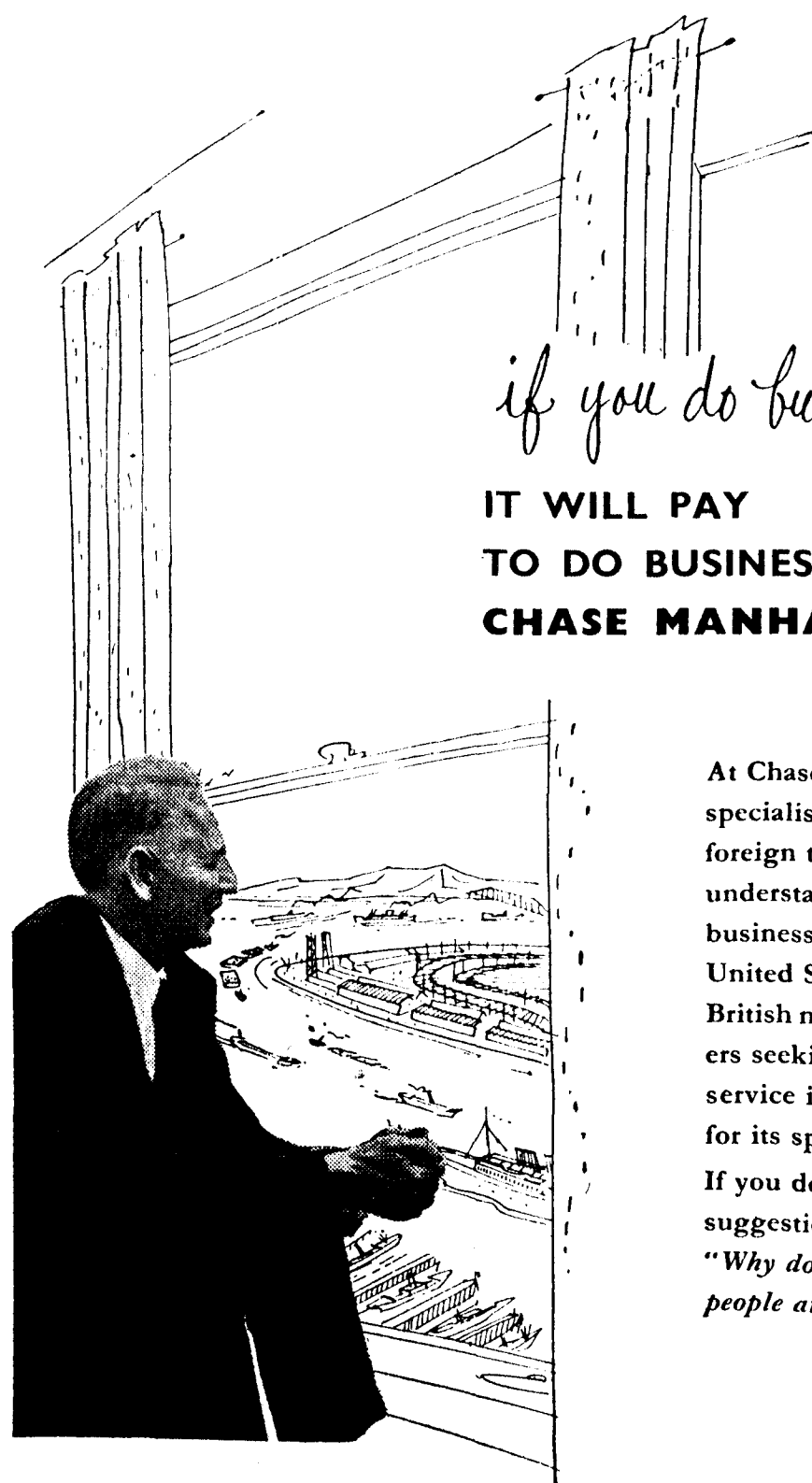
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American Survey

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

Prosperity Takes Stock

Washington, D.C.

IF all the talk about the "built-in strength" of the American economy has any meaning at all, President Eisenhower's illness should have no major effect on the business situation. So far it seems to have had very little, and it has not produced a spate of retractions by economists of their forecasts that 1956 will be as prosperous as 1955. But the President's illness may have a significant impact in another sense: it should provide an excellent test of whether current prosperity is based in significant measure on confidence engendered by conservative Republican policies—as Republicans like to believe it is.

So far the only visible impact of Mr Eisenhower's illness has been on Wall Street, where the indices have shown three sharp breaks and three much smaller recovery movements. The pace of the decline has not been much slower than in the early stages of the 1929 crash. Yet so unconcerned have the authorities been about this setback that the Federal Reserve Board, after a full-scale meeting of all its top officials, decided that no alteration of the present restrictive monetary policy is warranted. The Administration as a whole—while prepared to change its plans quickly if necessary—believes that exuberance and not a slump is still the main economic problem.

There are several reasons why the stock market's performance is being so blithely ignored. By far the most important is the virtually unanimous feeling that stocks were "too high." Yields on the average had dropped below 4 per cent, or close to the yield on bonds, shortly before the President's heart attack. Stock after stock had soared to fantastic heights solely on the promise of future earnings mixed with a speculative wish for quick gains.

What is more, the current market is not floating on a sea of credit as was its predecessor in 1929. In every stock purchase now at least 70 per cent is covered in cash as a result of the Federal Reserve's powers over margins, compared with as little as 10 per cent in 1929. Moreover, stock values in relation to earnings or assets, though perhaps unduly high, have not been nearly as high this year as they were in 1929. The news from Denver did not, therefore, create a panic, and there has been a welcome absence of reassuring statements about the "fundamental soundness" of the situation from bankers and spokesmen in Washington.

The Secretary of the Treasury merely announced that the President's illness would mean no change in Administration policies. Indeed, the general feeling appears to be: let the market decline a little for its own good.

Elsewhere in the economy sharp dips in the price of some commodities—led by rubber and copper scrap—have been more than offset by further increases in others. The Labour Department's index of prices for "all commodities other than farm and foods" has actually risen from 118.4 for the month of September to 118.7 for the week ended October 11th. A number of surveys have uniformly shown that businessmen are not curtailing their investment plans. The big New York banks, apparently convinced that the Federal Reserve means business in its hints that restrictive policy is still the order of the day, raised their prime lending rate only last week—something they would not have done

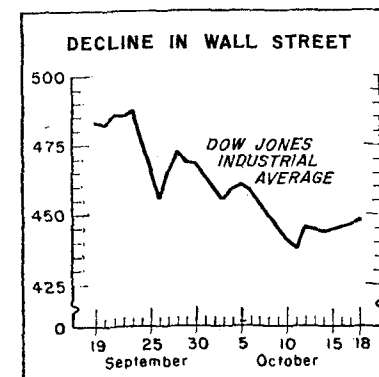
had businessmen suddenly stopped rushing to their doors for advances.

There has been considerable private speculation that because of the tight money policy the boom was about ready to "top out" towards the end of this year. Few foresaw any more than a mild dip or levelling off, but it appears that the authorities in Washington will not even believe that until they see it. Dr Arthur Burns, the President's chief economic advisor, devoted a large portion of an address given ten days after Mr Eisenhower's confinement to hospital to an explanation of why it is necessary

to keep excesses from developing during a boom; but he emphasised the Administration's willingness to change quickly if conditions call for it:

A programme of monetary and fiscal restraints could be carried too far, just as it could stop short of what is needed. Such policies are means to the attainment of a stable prosperity, not ends in themselves. The only rigidity that we can afford to admit to our minds is the principle that the best way to fight a recession is to prevent it from occurring in the first place. That principle has of late ruled, and it must continue to rule, our government policies.

Perhaps the most interesting reaction to the President's illness has been the surge of second thoughts about the economic effect of the changed political picture. Everyone is assuming that chances of a Democratic victory in 1956 have been enormously improved and is asking himself what that means to his business. The general feeling appears to



be that a change of Administration would not make all that much difference. For the fact is that this is one of those peculiar times in American history when the two parties really have very little to fight about. They might shade tax policy a little differently, but they are both opposed to direct controls. They would differ in a few marginal areas such as the development of electric power, but they are both agreed on the value of a flexible monetary policy. The Democrats might be a bit more willing to spend public money, but the Republicans agree with them on the essentials of the government's role in economic affairs.

It may well be that a substantial segment of the business community has failed to recognise this gradual *rapprochement* in the economic policies of both parties, and thus will find the prospect of a Democratic victory unpalatable enough to cause them to change their plans. But this seems doubtful. Even if the "Eisenhower confidence" fails, it could easily be replaced by an "inflation confidence," based on the far from certain assumption that the Democrats will promote more inflation. Businessmen, after all, learned to take advantage of the presumably distasteful Democratic policies in the postwar years and made some of the highest profits in their history.

The problem in the next year may be to demonstrate that the more radical spokesmen of the Democrats—men such as Representative Wright Patman and Senator Hubert Humphrey—are not really forerunners of what a Democratic Congress and Administration would be like. The Republicans, in their own self-interest, will try to cast all Democrats in the radical image, and if Mr Harriman should receive the nomination their task may be somewhat eased. But businessmen, like other citizens, know how to discount the remarks of politicians, and the changed election prospects should, therefore, have little effect on a booming economy.

Democrats in Motion

MR ADLAI STEVENSON will probably not announce his candidacy for the presidential nomination until the Democratic National Committee meets in Chicago on November 17th. In fact, however, Mr Stevenson and his principal rivals are already campaigning actively. Spurred on by a somewhat equivocal endorsement from ex-President Truman, Governor Harriman of New York is trying to arouse among Democrats throughout the country the kind of enthusiasm shown for him in his own state. His lieutenant, Mr Carmine De Sapio, has travelled across the United States to marshal support for Mr Harriman. California was among his main targets, but on his arrival there a group of leading Democrats sent a message to Mr Stevenson urging him to declare his intentions and assuring him of their loyalty. Neither Mr Stevenson nor Governor Harriman, however, will have an easy time in California, for Democrats in that state strongly supported Senator Kefauver's bid for the nomination in 1952. With the opening of a "Kefauver-for-President" headquarters in Washington, the Senator from Tennessee is once again on the war-path, and his followers are hoping to take advantage of a possible stalemate between his two opponents.

Mr Stevenson has already indicated the main lines of his campaign. In a number of recent speeches he has cautioned listeners against an uncritical acceptance of the "Geneva spirit," has pointed to the Administration's constant dependence on the intelligent support of a Democratic Congress and has examined the crucial issue of agricultural surpluses and falling farm prices. At a time when hog prices are at their lowest levels since 1946 and farm income is falling steadily behind national prosperity, all politicians realise that the farmer's vote may decide the election. Politicians in both parties feel tempted to advocate alleged panaceas such as high support prices and increased government purchasing programmes. Mr Stevenson, however, has steadily refused to subscribe to any ready-made solutions.

In seeking to answer Mr Stevenson's challenge, potential Republican candidates are in an exceedingly difficult position. Until President Eisenhower announces his intentions, loyalty and good taste prevent all but the most brazen from actively seeking the nomination. Moreover, the very issues on which the Democrats can score their most telling points—such as agricultural policy, tax cuts, highway and school construction and American policies in the Middle East—are those issues on which the Administration cannot move forward without the President. While the Republicans wait, therefore, the Democrats are making hay.

The Legion Forgets

LAST week's annual convention of the American Legion showed once again that most of the Legion's 3 million members would support the plea of an American humorist for "less foreign policy." Nevertheless, there were indications that most Legionnaires are no longer prepared to let their distrust of foreign entanglements and American participation in international bodies go the whole way. By a vast majority, the convention rejected a resolution offered by the Illinois delegation and calling for American withdrawal from the United Nations. Cheering the declaration of one veteran that with the UN rests "our only hope for a peaceful world," the Legionnaires endorsed the view that America's withdrawal would mean handing the organisation to Russia.

This vote contrasted dramatically with that of the previous day when the Legion denounced the activities of the United Nations Educational, Scientific and Cultural Organisation and urged Congress to repeal the laws creating the National Commission to Unesco, a body which includes representatives from some 80 American organisations. The Legion's dislike of Unesco, which it regards as a centre of "materialism, world federalism and anti-Americanism" goes back to 1953. In that year it set up a special committee to inquire into Unesco and report before the 1955 convention. This group, headed by Mr Ray Murphy, a former national commander from Iowa, did its work carefully. Published last summer, its findings give Unesco an entirely clean bill of health and branded the charges against it as "utterly without foundation."

This report was expected to cause violent debate on the floor of the convention. Instead, Legion leaders brought forward a resolution denouncing Unesco and overruled

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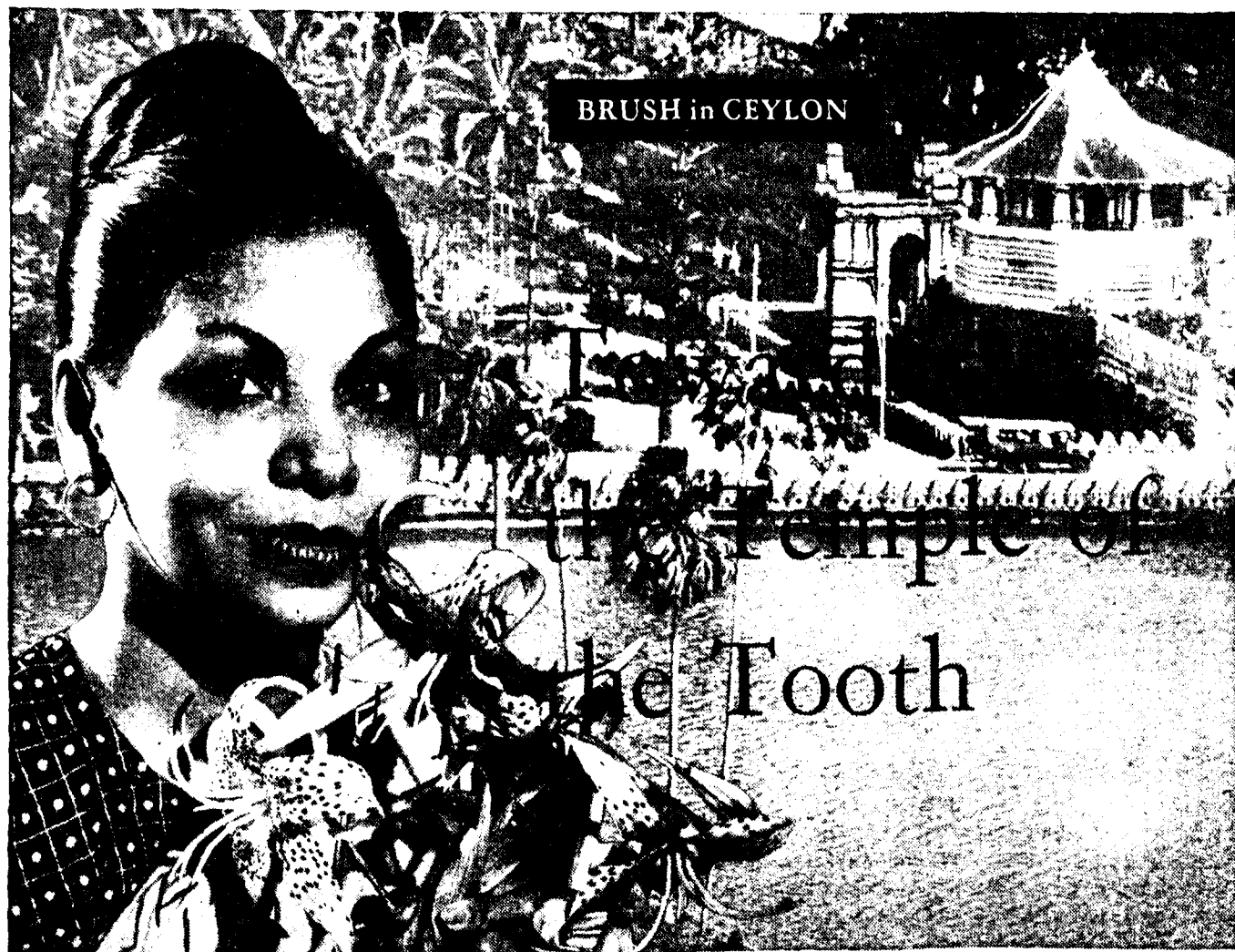
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vice. For example, Ceylon Government Railways are carrying out an extensive modernisation programme. Brush-built diesel-electric locomotives are replacing steam engines on all long distance runs. The Ceylon Government signed an order for the twenty-five 1,000 h.p. diesel-electric locos which Brush are building for C.G.R. Twenty of these efficient, smooth running engines are already improving express timings in Ceylon; they are ready for use over 90 per cent of the time.

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a request to have it or the favourable report debated. The massive response of the delegates showed that they had judged the prevailing sentiments accurately. The Legion also called for the end of American aid to India—a nation which it suspects of siding with Russia under a neutralist guise—denounced the Chinese Communists as “savages,” endorsed the Bricker amendment which would limit the President's right to conclude treaties with foreign powers, and vowed to continue its battle against “atheistic Communism.” Not all veterans of foreign wars would support all these resolutions. Commenting on the delegates' work, Mr Truman remarked: “Most of them knew what they were fighting about. But they seem to have forgotten.”

Cotton in Excess

DOMESTIC cotton growers seem to have defied bad weather, unusually active boll weevils and severe acreage restrictions imposed by the government to produce a cotton crop which is likely even to exceed last year's output. The latest official estimate is substantially larger than previous forecasts and anticipates a crop of nearly 14 million bales—an increase of 2 per cent over 1954. This is a remarkable achievement; for everyone but the growers, however, it is unfortunate. With an unmanageable surplus already on its hands, the government intervened last autumn to cut the acreage under cotton by 14 per cent to its lowest level in seventy-five years. Cotton growers applauded this move, but responded by removing only the least fertile land from production, and by concentrating an increased supply of fertiliser and insecticides on a reduced area. The result has been acreage yields which, as Mr Benson, the Secretary of Agriculture, ruefully admitted, would have been considered “fantastic” twenty years ago.

If the current crop fulfils these expectations, total supplies of cotton will rise to 25 million bales, of which no more than 13 million will be absorbed in the coming season by the domestic and export trade. Moreover, exports have to contend with the abundant crops in other cotton-growing countries where no acreage restrictions are imposed. These estimates have shaken the cotton futures market and brought its sharpest decline in five years; they have also brought renewed demands for some method of subsidising cotton exports.

Mr Benson hinted some time ago that he might offer exporters a million bales of short-staple cotton on an open competitive basis. But it is doubtful whether, as the law now stands, he would be entitled to do this, since it would involve him in selling cotton at prices below the domestic level. In addition, the American textile industry actively opposes such a move on the grounds that its present competitive weakness against imports of foreign textiles would be further aggravated. The industry will have, in this instance, a staunch supporter in the Department of State which will be averse to offending other cotton-exporting countries.

Meanwhile, the Department of Agriculture already has its wary eye on next season's crop. It has decided to cut cotton acreages by a further 4 per cent to the lowest level permitted by law. Although no statement has

yet been made, it is expected to reduce the support price for cotton from the present level of 90 per cent of parity—a standard for relating crop prices to the prices farmers must pay—to around 86 per cent. But no one, as yet, has found an adequate solution to the problem of increasing yields and intractable surpluses.

Jets Go Commercial

LAST week Pan American World Airways placed the first large-scale order for American-built jet airliners. It has signed a \$109 million contract for 20 Boeing 707's and a \$160 million contract for 25 Douglas DC-8 jet airliners. The first Boeing is due for delivery in December, 1958, and the first DC-8—it is alleged somewhat optimistically—in December, 1959. The Boeing Airplane Company, which has a large contract for the military counterpart of the 707, has already flown the civilian prototype for nearly 300 hours, but the Douglas challenger is still under construction and is not expected to fly until March, 1958. Both aircraft will be powered by Pratt and Whitney engines and are designed to cruise at between 550 and 600 miles an hour. The Douglas Company claims that the DC-8 will be able to carry 108 first-class passengers non-stop on the London to New York route even against winter headwinds. Pan American is hoping that both aircraft will cover the distance in only 6½ hours. One interesting feature in both contracts, moreover, is the attempt made to appease the fears of communities near airports by assuring them that special jet engine silencers will be used.

A corresponding flurry of activity can be seen in the workshops of the Lockheed Electra turbo-prop airliner—a medium range aircraft not suitable for the North Atlantic. Two airlines—American and Eastern—have ordered between them 75 of these aircraft for delivery commencing in the second half of 1958, and have firm options to buy another 50. For both of these customers, the Electra will be powered by General Motors' Allison T-56 turbo-prop engine, but for future models the Lockheed Aircraft Corporation is anxious to be able to offer customers the Rolls-Royce RB-109 as an alternative.

Now that three major American airlines have taken the plunge into either jets or turbo-props, the others—especially United Airlines and Trans World Airlines—are under strong pressure to follow suit. But as late-comers to the scene, they face the fact that their competitors have pre-empted the production facilities of the three major American airframe manufacturers until about 1961.

Pan American has not cancelled its option to buy three de Havilland Comets, and the smaller Capital Airlines is fully committed to a Vickers Viscount turbo-prop fleet. Vickers salesmen this week unfolded the prospectus for their new Vanguard airliner, a direct competitor for the Electra and twice the size of the Viscount. They have started actively campaigning those American airlines that are still undecided, but may have to work hard to convince them that the company will not fall behind in delivery—offered tentatively for 1960-61.

Submerged Wealth

New York

THE controversy over the respective rights of the Federal Government and the State governments over underwater oil reserves has reached a new impasse. Last week, in a one-sentence opinion, the Supreme Court refused to solve the problem as to what constitutes the "historic boundary" of Louisiana. This curious question has arisen because of the wording of the two statutes which purported to settle the issue of the ownership of tidelands oil. In the Submerged Lands Act of 1953, Louisiana was given undisputed control over the submerged lands in the Gulf of Mexico within that state's "historic boundary." Similarly, the Outer Shelf Lands Act, passed shortly afterwards, established the jurisdiction of the Federal Government on the seaward side of this same boundary; but neither act defined precise locations. The state maintains that its historic boundary, dating back to Louisiana's entry into the Union in 1812, extends for three marine leagues (10½ land miles) from the coastline; the Federal Government contends that it stretches for only three nautical miles (just over 3½ land miles). In Texas, it has not yet disputed the state's claim to a three league boundary, while California, another state with important offshore oil deposits, claims no more than the three miles allowed by Congress.

The definition of "historic boundary," however, hinges on another imponderable which the Supreme Court was not asked to define: what constitutes a coastline? The Submerged Lands Act defined it as the line of ordinary low water, where the coast is in direct contact with the open sea, and as the line marking the seaward limit of inland waters, where it is not. Louisiana contends that the seaward limit of its inland waters is set by a chain of buoys which mark, for navigational purposes, the line between shallow coastal waters and the deep sea—a line extending, in some cases, as far as 25 miles from the shore. The Federal Government, not surprisingly, adopts a much more restrictive definition of inland waters. California, like Louisiana, feels strongly on this issue; it claims that its inland waters extend to a line joining several islands many miles off the Pacific Coast. It is thought that the Supreme Court may have decided not to pass on the Louisiana boundary issue in its present form because it would prefer to include these many aspects of the problem in one judgment.

A lot of submerged wealth is at stake within these legal definitions. Louisiana has so far received \$105 million in rentals and bonus payments for its leases on 2,600,000 acres of the submerged lands under its undisputed control. The Treasury has already earned \$250 million for tidelands oil leases. Moreover, the disputed belt may prove particularly valuable because the water covering it is not too deep for the offshore drilling rigs. Last April, both the government and Louisiana offered similar leases on some of the same land within the disputed area. The government received bids; Louisiana did not, but promptly threatened to sue anyone drilling in the disputed area. As a result of the Supreme Court's refusal to rule on the matter, Louisiana has won the first round; but the fight is far from over. Meanwhile, the oil companies are still waiting to find out who their landlord will be.

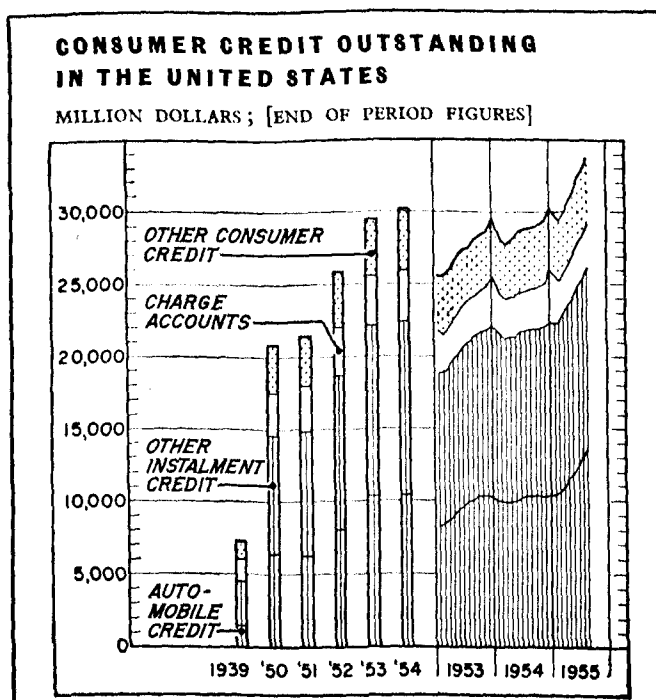
Walls Have Ears

MISLED by its enthusiasm for the "behavioural sciences," the University of Chicago's distinguished law school found itself last week at the centre of a storm of public and congressional indignation. In May, 1954, microphones were secretly installed in the jury room of the Tenth Federal Circuit Court in Wichita, Kansas, and recordings were made of the jurors' deliberations in five civil cases. Dean Edward Levi of the University's law school defended this unprecedented action by pointing out that it had been approved by the presiding judge and the attorneys concerned with the cases and that numerous legal authorities had praised the idea as a valuable contribution to the understanding of the jury system. Moreover, the recordings had been altered in such a way that no identification of the jurors would be possible.

Neither the Department of Justice, however, nor the Internal Security sub-committee of the Senate accepted this view. Mr Herbert Brownell, Jr., the Attorney General, declared that strict privacy of a jury's deliberations was at the very basis of a due process of law. Senator James Eastland of Mississippi and Senator William Jenner of Indiana went further and promised that Congress would pass legislation "to provide severe punishment" for anyone caught eavesdropping on juries. They hinted that they would refer to the Judiciary Committee of the House of Representatives the question of whether or not the judge who permitted the "jury tapping" should be impeached. Senator Jenner made the telling point that until juries are certain that this experiment cannot be repeated their thinking and free discussion might be cramped.

Common sense and public opinion seem to support this condemnation, but unfortunately Senator Eastland and Senator Jenner chose to weaken their case by giving it various political overtones. The University of Chicago's study of

(Continued on page 303)



(Continued from page 302)

commercial arbitration, income tax law and the jury system was financed by a grant of \$1,400,000 from the Ford Foundation. Although the Foundation had nothing to do with the actual research project, the Senators sought to place its many activities in the academic field in a sinister light. Moreover, they asked Dean Levi entirely irrelevant questions about his alleged connections with various left-wing organisations and examined Professor Henry Kalven, Jr., at length regarding his views on the Rosenberg trial. This heavy-handed attempt to find a link between a case of academic misjudgment and political subversion will only reflect discredit on a legitimate congressional inquiry.

Plan for Industrial Harmony

FROM A CORRESPONDENT IN OHIO

IN Newcastle, Indiana, where a recent labour dispute and an attempt at strike breaking led to violence and the calling out of the National Guard, the authorities might be well-advised to follow the example of Toledo, in neighbouring Ohio. In this automobile and glass centre, in the depression years of the nineteen-thirties, a wave of strikes caused grave damage to property and some loss of life; this pattern threatened to repeat itself after the war. But in 1945, a committee, representing labour, management and the public, was set up to study the industrial relations problem in the city. Out of this developed the Toledo Plan, adopted by the city government in February, 1946, as a method of mediation in labour conflicts. The study group, rechristened the Labour-Management-Citizens Committee, became part of the city government.

It has 30 regular and 18 associate members, representing the three groups equally. The labour members are nominated by the two big trade union associations, the American Federation of Labour and the Congress of Industrial Organisations; the representatives of management are chosen from among the industrial leaders of the community; the public is represented by civic leaders, including well-known clergymen, judges and educators, approved by both labour and industry. All members serve without pay. The committee has a full-time administrator and when a labour dispute occurs, he is usually informed by one side or the other; if not, he offers his services. He deals with small, uncomplicated troubles without help. In more serious disputes he asks the committee chairman to summon a panel from among the regular members and himself submits a brief, citing the issues and presenting his own analysis. Both sides are then asked to present arguments, with supporting data, at an informal hearing; where the tension is too great, separate hearings are held for labour and management. This is the "weeding-out" stage, where essential demands are separated from those put in for bargaining purposes and the aim is to reach a compromise without work being interrupted.

In most cases such mediation is sufficient, but if "emergency" action is demanded, all the 48 members of the committee may be summoned. This drastic remedy has been needed every year for the past five years to avert

threatened strikes at the utility plant which supplies Toledo with its gas. If all else fails, the committee recommends independent arbitration, in which case the issue passes out of its hands. In any event the only force ever employed is that of public opinion, but this is so persuasive that, after accepting mediation, workers seldom decide to strike, or managers to order a lock-out, even though both are free to ignore the committee's suggestions.

On its record, the Toledo Plan is an unquestioned success. In its first year of operation, 1946, the man-hours lost from work stoppages fell from 420,000 to 233,000. Except during 1950, the drop has continued steadily; last year only 63,500 man-hours were lost. In 1944, Toledo stood fourth among American cities for time lost through strikes; in 1953 it was 58th. And the total cost to the city for operating the Toledo Plan in 1954 was less than \$16 million. In its nine years of operation the committee has settled 576 labour disputes; it has actually averted 156 threatened strikes and has shortened the duration of many others. There is also concrete evidence that suspicion and rancour between labour and management has been lessened in the city. The whole idea has also encouraged a new spirit of co-operation between unions and companies in various civic activities; for instance labour groups have set up a committee to help attract new industry to Toledo and to assist the Chamber of Commerce in its programme for industrial development.

SHORTER NOTES

Led by the First National City Bank of New York, banks all over the United States last week raised the prime rate—the rate of interest charged to customers with the best credit rating—from 3¼ to 3½ per cent, the highest level for two decades. This increase reflects the continued high demands for loans and the shortage of available funds.

It has been reported that in the period January 1st to October 11th of this year Americans bought six million new automobiles. This figure exceeded sales in both 1953 and 1954.

In order not to disturb the wintering habits of the whooping crane, the Strategic Air Command has cancelled its plans to expand a bombing range on Matagorda Island, off the coast of Texas. The birds, of which only 26 remain in the world, are Canadian citizens for half the year, and were championed in this international dispute by the Canadian government.

To help the onion-growers of New York State, half of whose crop fell a victim to the hurricanes Connie and Diane, Canadian producers generously offered to sell six carloads of their onions in the United States and make over to their competitors the entire proceeds. But the Canadian well-wishers reckoned without the American tariff laws which proved too rigid to admit the gift duty-free.

The World Overseas

Soviet Plans for the South Pole

FROM A CORRESPONDENT

FIFTEEN months ago the Russians announced the spectacular exploit of setting two expeditions drifting on the sea ice of the Arctic Ocean. The Soviet press followed this up with what almost amounted to a running commentary on activities at these two lonely camps (see *The Economist* of October 2, 1954). One was evacuated in April of this year, after it had drifted over the North Pole and was nearing the coast of Greenland, but at the same time a new station was established in another unexplored patch of ocean. Thus there are still two parties at work today.

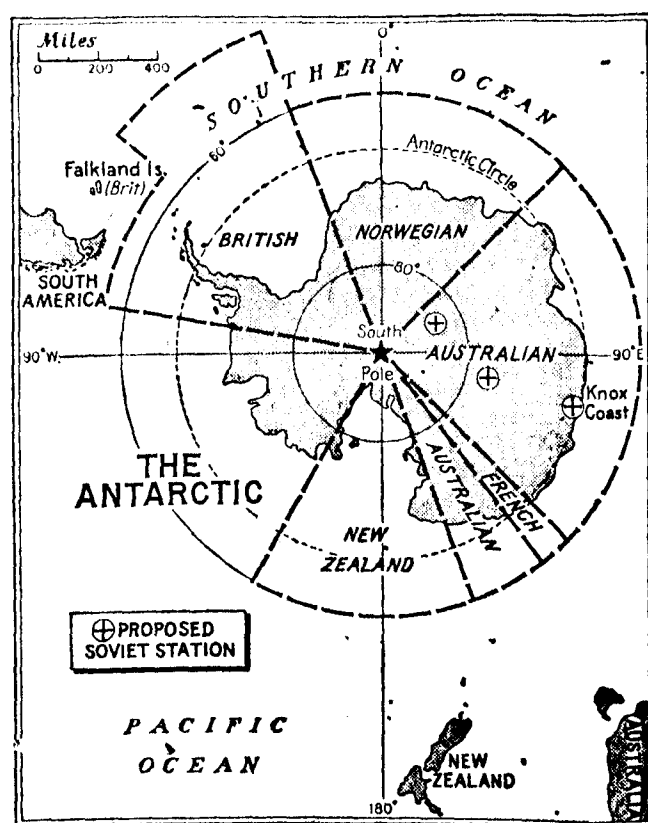
Meanwhile a no less ambitious Soviet expedition is preparing to go to the Antarctic in November. This, like the Commonwealth, American, and other expeditions lately announced, forms part of the programme of the "International Geophysical Year 1957-58," which, in its Antarctic manifestation, will shatter the usual silence of that continent; its population will increase from dozens to hundreds, and aircraft and over-snow vehicles will fan out from twelve of fourteen newly established bases. The Russians have never in their history set up a shore station on the continent; in fact, their interest has been limited to one excellently conducted circumnavigation of Antarctica 135 years ago, and to annual whaling voyages since 1946. But their experience in the far north is vast, and they may confidently be expected to apply it skilfully in the far south. Their effort is likely to be second only to the American, and much greater than that of any other country.

Three Soviet stations are planned. One is to be on the Knox Coast, which lies between 102° and 110° East; one in the region of the south geomagnetic pole (not to be confused with the magnetic pole), about 800 miles inland from

the first; and the third near the "pole of inaccessibility"—that is to say, the area which is the greatest distance from the coast, and perhaps another 800 miles beyond the second station. The only reason why there will not be a station actually at the South Pole itself is that the United States had earlier announced its intention of occupying it.

Equipment will be lavish. There will be two ships, of which the bigger will be the *Ob*, one of three Dutch-built freighters specially designed for the "Northern Sea Route" along the Arctic Coast of Siberia and completed last year. She can carry 6,500 tons of cargo, and has proved her ice-worthiness in a voyage along the whole length of the north Siberian coast. The possession of such a ship is an enormous asset—a fact which will be readily admitted by several countries participating in the International Geophysical Year, including Britain, as they seek to charter far less suitable foreign ships. The *Ob*, now undergoing a special refit, will carry helicopters for use en route and on arrival. Large transport aircraft will be flown in from beyond the Southern Ocean. Tracked vehicles and dogs will provide overland transport.

The whole undertaking is to be under the aegis of the Academy of Sciences of the USSR, and the leader will be Dr M. M. Somov, an Arctic specialist of many years standing. He is an expert on sea ice, and was leader of a drifting expedition in the Arctic Ocean in 1950-51. His second in command, Dr V. G. Kort, is an oceanographer of repute. The total number of men in the wintering parties is not known. The scientific work will be integrated with the International Geophysical Year programme, the basic idea of which is that observations of a similar kind will be made



THE ECONOMIST, OCTOBER 22, 1955

simultaneously in many different places. The subjects to be studied by the Russians include meteorology (especially upper atmosphere observations), terrestrial magnetism, the aurora, the ionosphere, and cosmic rays. Investigation of the Antarctic ice sheet is planned, and oceanographical work will be done from a suitably equipped vessel. Preparation for this work is involving a number of scientific institutes in the Soviet Union, including the Arctic Research Institute at Leningrad.

Although it is bad form to mention politics in the same breath as international scientific endeavour, it is nevertheless sadly true that nobody in these days does anything in the Antarctic with entirely pure motives. With modern techniques it is now theoretically possible to make some use of the apparently desolate waste of snow, ice and rock. The scramble for land has started. Most of the continent is already claimed, predominantly by Commonwealth countries. The coming expedition will provide some badly needed buttressing for the Soviet claim to take part in any political solution which may or may not be imposed in the far south.

The Issues in the Saar

FROM A SPECIAL CORRESPONDENT

NOTHING could be much more contorted than the situation in the Saar on the eve of the plebiscite next Sunday. Technically the population is being asked whether or not it approves the Saar statute, upon which Dr Adenauer and M. Mendès-France agreed exactly a year before the day of the plebiscite. In practice those who dislike a Saar economically linked with France have seized upon the plebiscite in order to demonstrate in favour of re-incorporation with Germany. "Vote No for Germany's sake," they cry, although the German government approved the statute. And although the German Chancellor has more than once asked them to support it, the Saar branch of his own Christian Democratic Party is campaigning against the statute.

Apart from the war of words, it is perhaps worth while to consider what genuine feelings and interests are involved. Many quite reasonable people will vote "No" for the very reason that the statute is to make the autonomy of the Saar more complete by abolishing certain special rights of the French. Many voters feel that this arrangement will perpetuate the separation from Germany, even though it is supposed to be provisional, and if the new referendum promised by the statute is in fact held at the time of the peace treaty—which they have been taught to doubt—they feel that it will be more difficult then than now to rebel. They wish to rebel because they are German and as such prefer to belong directly to the German community; they want their children to be educated like other German children—and not as what they are inclined to regard as bi-lingual freaks (in the schools in the Saar young children have six German lessons a week to five French).

Many opponents of the statute object most of all to the Saar's economic union with France. They want to be part of West Germany's prosperous society; each time they cross

the frontier they are impressed by the relative cheapness of the goods in the German shop-windows. The Saar economy, they complain, is going to ruin for lack of modernisation which so small a unit cannot itself finance: the French, they feel sure, will always be grudging towards the Saar, while Germany has always been enterprising in the matter of investment in industry.

The supporters of the statute are in the less agreeable position of being on the defensive. They can, however, point out that if the statute is accepted, the first completely free elections to the postwar Saar Diet will be held on December 4th. This would make it possible to turn out the much-abused Hoffman regime, which has become everyone's Aunt Sally; even the French have little to say for Herr Hoffman because he has often obstinately championed the interests of the Saar in Paris. As for French neglect of the Saar economy, there is some truth in the indictment, especially with regard to the construction of new steel strip-mills. In addition, uncertainty about the future of the Saar has restrained Swiss and other financiers from new investments, for instance in a much-needed chemical industry based on coal. But the fact remains that up to the present, in spite of much gloomy prophecy, Saar production has steadily increased since the war, and the population has enjoyed full employment, good wages and social services more extensive than those in Germany.

Of late the contention that Saar coal and Lorraine ore are fully complementary has come under fire. This is not so true as it was. The heavy industry of Lorraine is developing faster than that of the Saar and uses an increasing proportion of its own coal. But the Saar steel works remain technically adjusted to Lorraine ore and would need to build bigger blast furnaces if they were to use ore from Sweden or elsewhere. Lorraine actually competes with the Saar in selling steel on the South German market today, though this competition is less severe than that of the Ruhr. On the other hand, the existence of the common market for coal and steel has in fact enabled the Saar to sell more steel to Germany, in spite of competition.

The customs union with France is chiefly important to the lighter industry of the Saar—furniture, clothing and china goods. A well-known example is von Boch's porcelain factory at Mettlach, which employs between five and six thousand people and supplies a large part of the French market. These are people who might soon be unemployed if the Saar went back to Germany and their employer makes sure that they know it. It is generally thought that there will be a substantial vote in favour of the statute by such people, who are prosperous today and prefer to run no risks, prudent people who take little interest in the green and white banner of Europe which the pro-statute orators display.

On the other side the emotional appeal of the German flags and eagles and the *Deutschlandlied* is tremendous. It is interesting, however, that the violence which flared up at the beginning of the three months' plebiscite campaign has died down, which suggests that those who fomented it were subsequently persuaded that violence would not pay. Indeed, there is much less fear in the air than there was before the plebiscite in January, 1935. There is, on the other hand, more open and ugly abuse of France by the speakers at the "Vote-No" meetings than Hitler allowed the Nazis in 1934-1935, and this in the presence of members of the plebiscite commission. Anti-French tirades

are a speciality of Kurt Conrad, the pro-German Socialist leader: this pleases the big contingent of miners, some 66,000, who are excellently paid and should be content but who have an anti-French tradition as employees of the French state from 1920 to 1935 and again since 1945. In heavy industry the employers, too, are today anti-French, and without the sense of common interest with the French entrepreneurs which seemed to exist a few years ago.

On the eve of the poll nobody seems to expect more than 60 per cent of the votes to be "No," while many people fear a narrower majority which will scarcely relieve the tension. But the consequences of a "No" vote are shrouded in controversy; those who favour the statute believe that its rejection will mean not only that France will withdraw the offers it has made in the statute both to the Saar and to Germany, but also that it will leave the Coal and Steel Community. The pro-Germans, however, profess to know that France will be ready enough to re-open negotiations. The outside observer can but feel anxiety for Western European Union, under whose aegis the statute was to have placed the autonomous Saar.

Marshal Pibul Hastens Slowly

FROM A CORRESPONDENT IN BANGKOK

MARSHAL PIBUL SONGGRAM'S experiment of bringing a little more democracy to Thailand without disturbing the country's political stability seems to be meeting with a certain success. One of the more spectacular, if not really radical, developments is the use of the Royal Cremation Ground for public oratory of the Hyde Park variety; here the anti-government speakers attract the largest crowds, and two cabinet ministers were observed among the audience surrounding one speaker who demanded the immediate release of all political prisoners. This novel development is perhaps symptomatic of changes of greater consequence.

For the first time in several years, preparations are being made for the establishment and registration of numerous political parties to contest the 1957 election. It is claimed that registration will prevent the mushrooming of a multiplicity of splinter parties, as well as ensuring that the leadership, the main political aims and the financial backing of each registered party are publicly known.

So far, the response to this modest reform has been disappointing. Of the three groups which have applied for registration, none appears to possess enough public appeal, financial backing or influential leaders to compete successfully with the present junta. The latter, whatever its defects as an example of democracy, has undoubtedly gained considerable administrative efficiency; moreover, it has recently paid much attention to the raising of the standard of living and to public works, including irrigation, communications and a public health programme.

Would-be competitors will therefore require a realistic programme as well as leaders with considerable popular appeal. Most of the prominent political figures outside the self-styled "coup" group at first followed the lead of a former premier, Nai Khuang Aphaiwongse, in declaring that

they would not re-enter politics so long as the constitution permitted the government to nominate, in the king's name, half the members of the House of Assembly.

The list of office-holders in the new pro-government party hardly suggests that a radical reform policy is intended. Rather, there appears to be a half-hearted attempt to satisfy Siamese intellectuals and Western observers by suggesting that the mere creation of political parties is in itself a progressive move. The leadership of the new pro-government party consists of Field Marshal Pibul (at the head), the commanders-in-chief of the army and air force as deputy leaders, police general Phao as secretary-general, and a civilian closely linked with powerful financial interests as treasurer.

This suggests a "ministry of all the medals" rather than an orthodox political group. Yet it might be argued that the Marshal had gone as far as he could without risking a general upheaval which would be of little profit to anybody except the Communists. From the first, the Marshal has had to rely upon military support, and the time has not yet come when this can be dispensed with altogether.

Some of the more grandiose reform schemes—such as the abolition of legal opium dens—have had to be shelved for a while. The immediate suppression of the dens, for example, would not only have led to a sharp decline in revenue and required vast sums to compensate their licensed managers, but would also have produced gangsterism and corruption on a scale comparable with those which followed prohibition in America. On the other hand, a genuine attempt is being made to check opium-smuggling throughout the country, and the widespread corruption in government-sponsored financial and industrial concerns has also become the subject of reformist propaganda.

The recent decision of veterans like Nai Khuang Aphaiwongse to return to politics, in spite of earlier statements to the contrary, is a healthy sign. Nai Khuang returns at the head of his reconstituted Democrat party, who might be described as right-wing liberals. Even though several other popular figures, such as M. R. Seni Pramoj, the war-time Siamese leader in Washington, and ex-Foreign Minister Nai Direck Jayanama, continue to remain aloof, there is certainly room for cautious optimism.

Gradual but Inevitable?

The recognition of new political parties is less of an advance than it sounds, for there is very little general demand for them in Siam. Much more heartening than this is the widespread feeling that, by one means or another, Thailand is likely to become progressively more liberal from now on. Were progress to become too rapid, the whole programme of reform might be endangered, for the sudden attainment of full democracy would mean the end of those lucrative commissions now enjoyed by some of the Marshal's chief military supporters. It is imperative that changes for the better should occur slowly enough to avoid antagonising too many powerful personages at any one time.

For a little while it looked almost as though Marshal Pibul were being carried away by his own eloquence. Since then, he seems to have come to closer grips with reality, yet without in any way narrowing the scope of his ultimate intentions. In all these matters, the Prime Minister will no doubt receive the sympathetic, if unostentatious, support of the western diplomatists stationed in his capital.



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Canadian Argument Over Taxes

FROM OUR OTTAWA CORRESPONDENT

CHANGING fashions in economic theory are illustrated in the fiscal relationships between the central government and the provinces in the Canadian federation. Since the beginning of the second world war these relations have come to be a quinquennial crisis in Canada, and the country is now in the throes of a federal-provincial argument which may have lasting effects on the operation of the federal structure in Canada. The questions involved in regulating the division of taxation between the central government and the provinces are so complex that the little man at the base of the whole pyramid scarcely knows what is going on: he merely foots the bill and pays the consequences.

The decisions of eleven separate governments will be required to resolve the present dispute. They may have profound fiscal and economic consequences, but it would be naive to expect the decisions to be other than political. Both federal and provincial politicians are trying to determine, not so much what the people want, as who will get the blame for unpopular, or the praise for popular, solutions.

For fifteen years the powers of direct taxation have been divided between the federal government and the provinces in general accordance with a series of "tax rental agreements" whereby the federal government paid the provinces certain agreed sums in return for exclusive occupation of the fields of personal income tax, corporation income tax and succession duties. The agreements have never provided complete coverage except during the war which gave them their origin. Since the war there have been two five-year agreements, the second one being due to expire at the end of next year. In the first postwar agreement (1947-52) all the provinces signed tax rental agreements except the big central provinces of Ontario and Quebec. But double taxation was avoided because the federal government allowed provincial corporation taxes up to a certain level to be deducted from its taxes, and neither of the non-agreeing provinces exceeded these limits. In the second and current agreement all the provinces except Quebec acceded, though Ontario insisted on keeping its own succession duties. Quebec levied a number of taxes, mainly on business, which the other nine agreeing provinces were precluded from levying, but as most of them counted as deductible expenses from the federal corporation income tax, the hardship for business was not too severe.

Tax uniformity and centralised fiscal control—two of the main objectives of the tax rental agreements—were not complete, but they were near enough to establish a rough practical uniformity which was broken only in rather tiresome details in Quebec. Last year the breach in the uniformity became more serious when Quebec imposed and levied a personal income tax which conformed to the then-permissible federal deductions neither in rates nor in exemptions nor in definitions. The federal government took a step towards equalising things for the taxpayers of Quebec by adopting the device—questionable in principle but workable in practice—of "abating" its own income tax by 10 per cent for Quebec residents. This left some of them paying

less tax than anyone else in Canada, while some of them paid more.

The Quebec income tax at least established one point beyond doubt in the mind of the federal government. This was that the Quebec provincial government headed by M. Maurice Duplessis (under the name "Union Nationale") would never enter a tax rental agreement with Canada. The federal government, therefore, had to face the fact that the attempt to establish tax uniformity and effective fiscal control at the centre could not be established completely—at least not without a change of government in Quebec, which no minister could consider an early possibility.

The federal government chose to heal the rift with French-speaking Quebec by substituting for the existing tax rental formulas a new formula which provides unconditional subsidies for needy provinces and gives little incentive for any province to confine its own direct taxation to the fields vacated by the federal government. The new "equalization formula" will permit Ottawa to give equalization grants, calculated according to a complicated formula, to all provinces with the exception of Ontario. By this means Quebec will be entitled to a considerable payment from the federal treasury without conditions, and it will cease to suffer a financial penalty for insisting on its constitutional right to raise its own taxes. Politically, and perhaps even ethically, that is desirable, provided the English-speaking taxpayers do not regard it as a bribe to the French-Canadians.

Fears for Controls

But the real objections are economic. The premier of one of the other provinces remarked, after hearing the federal suggestion, that national unity was very much to be desired, but if it was to be secured at the cost of undermining national well-being the question would appear rather differently. He was worried lest, under the new proposal, the other provinces should all plunge back into the fields of direct taxation and effectively rob the central government of its power to influence the course of the economy through fiscal controls. But there is a new set of faces in Ottawa—a new Finance Minister in Mr Walter Harris, new officials in the Ministry of Finance, the Privy Council and the Bank of Canada. And the new men—in flat contradiction of the old—set little store by the need for absolute fiscal control in Ottawa. They are not worried by the prospect of provincial governments raising their income taxes when Ottawa is trying to stimulate the economy by dropping them. They are prepared to take their chance of that, in the belief that the central control is strong enough to override any provincial measures.

Tax uniformity still makes more appeal both to Ottawa and the provinces because politicians realise that most taxpayers would be incensed if they had to go back to filling out two tax forms and paying two different taxes. Most provinces still want to confine their taxes within the limits which the federal government will yield to them, and they prefer the federal government to continue collecting the tax on their behalf. Ottawa is likely to insist that the provincial rates stay within its limits if it is to be the collecting agency. From the taxpayers' point of view that will be satisfactory. But for the economists and the historians, the Federal-Provincial Conference which met at the beginning of this month is a turning-point. No one can yet guess the long range effects of the policy of leaving all the pro-

vinces free of restraints in their tax policies while paying all but one of them unconditional equalization grants. The new chapter in federal-provincial relations owes much of its character to the intransigent attitude of M. Maurice Duplessis, with his continued and unsupported claim that the provinces have a priority in the field of direct taxation. They have a concurrent and equal right with the federal government to levy direct taxes, but most of them have been, and still are, glad enough to give it up in return for assured revenues. Now they are to get the assured revenues anyway: it is anybody's guess how their own tax policies are likely to develop in the new freedom which is being thrust upon them.

South-East Asia in Search of Experts

THE momentum of the Colombo Plan's technical assistance programme was well maintained last year. According to the annual report* published this week, 129 experts and 1,023 training places were provided during the year; in both instances, this represents a substantial increase over previous years. In addition, large quantities of equipment for training and applied research were made available. In all, a total of £3½ million was spent between the inception of the scheme and June 30, 1955, and a further £2 million has been firmly committed for future projects.

But the requests for experts and training facilities continue to grow and barely half the number of experts applied for have so far been provided. The problem will be eased, no doubt, by the increased financial contribution announced by Britain, but money alone will not entirely solve the actual numerical shortage of experts who are able and willing to go out to South-East Asia. It is proving easier to provide extra training facilities, and great progress has been made in creating and improving training establishments within the region. In Ceylon for instance, with British help, a technical training institute has been set up at the Gal Oya multi-purpose project and places have been reserved for 15 Colombo Plan trainees. India's Reserve Bank has opened a banking staff training college. And in Pakistan a regional railway training centre has been established at Lahore, which will provide training for railway officers for the whole region.

The Report speaks encouragingly of the progress made in improving co-ordination with the United Nations and American technical assistance schemes in the region. Liaison officers have been appointed to secure better co-operation, and in some cases, such as in the establishment of the Institute of Technology at Kharagpur in India, joint action has been possible.

Help from Afar

The extent to which Australia, Canada, and New Zealand are participating in the Colombo Plan is not always fully appreciated. Australia, for example, has provided a greater number of traineeships than Britain, and it has so far sup-

* Report for 1954-55 by the Council for Technical Co-operation in South-East Asia. HMSO, price 1s. 3d.

plied 115 experts against Britain's 157. Canada and New Zealand too are making important contributions. Canada has helped Ceylon, Cambodia, and Indonesia to improve their fisheries. Among other projects, New Zealand has helped Ceylon in the setting up of a dental nurses' school at Maharagama. Within the region, mutual aid has been steadily increasing. India is better able than its neighbours to supply experts and provide training facilities, but nearly all the countries are actively participating in the work. As Sir Robert Black, the Governor of Singapore, told the Consultative Committee, the distinction between donor and recipient countries is no longer applicable.

The value of the technical assistance programme is accepted by all the members of the plan, and there is no doubt that a decision to extend the scheme for a further period will receive general approval. It is essential for the eventual success of the plan that there should be this continuity.

Beating India's Bounds

FROM OUR CORRESPONDENT IN INDIA

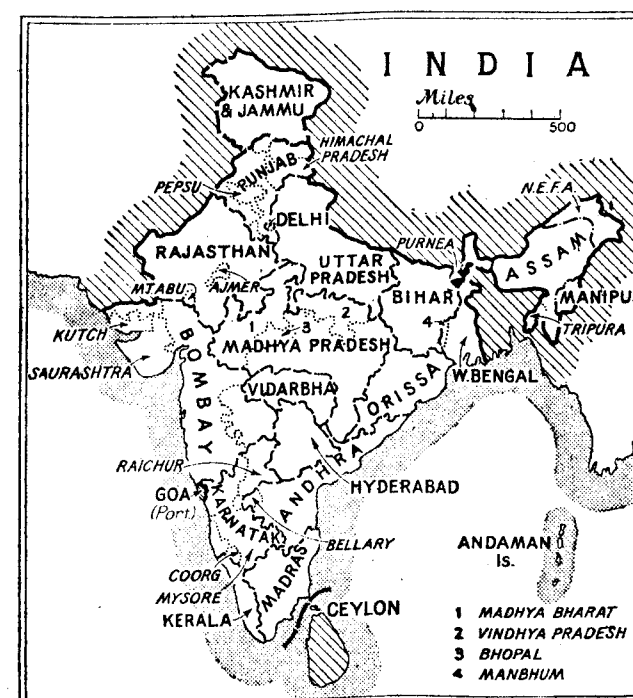
FIFTY years ago, Lord Curzon said the map of India should be redrawn. Ever since, people have been arguing how to do it. Mahatma Gandhi and the Congress wanted states based on language. A series of British statutory commissions, in the usual British way, wanted that and everything else too; administrative convenience, appropriate communications, common race and general unanimity. And, since partition, there has been amongst many a reluctance to do anything at all, in case India's unity should be imperilled by the clash of lesser loyalties.

Of late, however, India's unity has been four-square enough for a little tinkering with local boundaries not to disturb it, and two years ago a commission was appointed to see how those children of historical accident and strategic necessity, the states of India, could, unlike Humpty Dumpty, be put together again. This commission has just submitted its report. Before action can be taken on it the state legislatures must be consulted and Parliament itself must pronounce; but it is not likely that the report will be greatly changed.

The commission's recommendations will put an end to both of those last remnants of princely power, the Rajpramukhs and the classification of India's states under the headings A, B, C, and D, with the centre exercising closer supervision over "B" states than over "A" ones, and retaining a thorough control over "C" and "D" states. In future all states will be "A," except Manipur, the Andaman and Nicobar islands, and Delhi, all of which, like Washington, DC, will be territories under the centre's direct administration. The commission's recommendations leave that half of India which runs in a great arc from Rajasthan to Bengal, whose states are already unilingual, almost untouched. Bihar loses a little territory, Rajasthan and Bengal gain some. That is all. Not even Sardar Panikkar's brilliant advocacy has been able to persuade his colleagues to reduce Uttar Pradesh's preponderance by splitting it.

But the other half of India's people are to have their states altogether changed. On the two vulnerable borders

two strong states are being created. The Punjab absorbs Himachal Pradesh and Pepsu, with which its territories run in and out and whose people share its languages, Punjabi and Hindi. Assam absorbs Tripura. In the centre a Hindi state, India's largest in area, is to be formed out of the Hindi-speaking part of Madhya Pradesh, Vindhya Pradesh, Bhopal and Madhya Bharat. The south is split into its linguistic components. Mysore joins with the Kannada-speaking areas of its neighbours and with Coorg to form Karnataka. Madras exchanges Malayalee-speaking Malabar with Travancore-Cochin for Tamil-speaking South Travancore. Hyderabad, that obstacle to the natural development of the southern peoples, disappears; some of it goes to Karnataka, some to Bombay. The larger, Telugu half becomes a separate state, but if in five years' time its people have conquered sufficiently their fears of their own backwardness and their dependence on revenue from drink they will be



This map, which shows the new state boundaries proposed, may be compared with the map showing the existing boundaries on page 198 of THE ECONOMIST of October 15th.

able to join their fellow Telugus in advanced and "prohibition" Andhra. Only in the west are the commission's conclusions quite unexpected. Maharashtra has been split into two—the Marathi part of Madhya Pradesh is to be a separate state, Vidarbha. The rest of Maharashtra is joined with Gujarat, Saurashtra, and Kutch—all Gujarati speaking—in a bilingual Bombay.

Most of the commission's recommendations will be accepted cheerfully enough. There will be small local rows, but most of these can be adjusted with a little goodwill. The real trouble will come in the Punjab and Maharashtra. The Sikhs have not got the Punjabi-speaking state for which, not long ago, they were going to jail so cheerfully, and the Marathas have not got their long-desired unity. The commission has disposed of the Sikh claim elegantly enough. A Punjabi-speaking state is a nonsense. Everybody in the Punjab is bilingual; even in the Jullundur division most candidates at matriculation, given the option, do their papers

in Hindi, not Punjabi. The real issue is communal; and that cannot be solved. The Sikhs cannot have a state of their own because there is no large area, not even Pepsu, where they are in a majority.

In dealing with the people of Maharashtra, the commission has followed the example of the British, who split them up between three states, in none of which were they in a majority. In particular, it has denied them their unity and frustrated their desire to be alone. And to satisfy whom? Not those who believe, like Mr Morarji Desai, in composite states as valuable in themselves; these are too few; but rather the traders and industrialists of Bombay city who do not speak Marathi, the lawyers of Nagpur who are afraid they would lose income if Nagpur loses importance, the landowners of Berar who are afraid of land reforms. It is odd that in socialistic India, 30 million people can be denied their heart's desire to satisfy landlords, lawyers and businessmen.

Two Chances for Communists

With this one notable exception, the commission has respected the people's wishes. It has not therefore forgotten either the primacy of India's unity or the rights of linguistic minorities. It has turned down firmly the idea that a linguistic state can be a homeland to which Indians who speak that language can look wherever they may live. It has suggested means to ensure that minorities get their fair share in state government service and a fair opportunity to educate their children in their own language. It has reproved, delicately, the megalomaniacs of Assamese. It has, however, taken one risk. Both Kerala, the Malayalee-speaking state, and the new Telugu state of Hyderabad, will have Communist parties so large that these might, in conjunction with other left-wingers, be able to form governments. But the risk is limited; Communist morale just now is not high, and the new states cannot be formed more than a few months before the next general elections.

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commission's report. Only Samyukta Maharashtra will be left to make it complete. And the people of Maharashtra seem already to have realised that they need not be violent. India is a democracy. If they push long enough and hard enough, they will get the state Mahatma Gandhi advocated for them.

Flaws in East-West Trade

DELEGATES from twenty-six European countries, including the Soviet bloc, have been meeting in Geneva recently in the Development of Trade Committee of the Economic Commission for Europe (ECE). They can afford to take a fairly optimistic view of the present position of East-West trade. Figures recently issued by the ECE show that in 1954 the volume of trade between the two blocs had virtually reached the postwar peak level of 1949. Figures for 1955 show a continuation of the trend, and the total this year should be a new postwar record.

This is all very satisfactory, and the ECE is entitled to have part of the credit for its unremitting efforts to put trade back on a more normal level; but there are still a number of question marks. Chief among these is the future attitude of the Russian leaders towards trade with the capitalist world. At the moment, no doubt in preparation for the coming meeting of the Foreign Ministers, Soviet propaganda is hard at work telling the world that the Communist part of the world wants trade, and that it can offer huge depression-proof markets for the western world. Simultaneously, however, an entirely contradictory line is being taken by other spokesmen.

For instance, Mr Saburov, the chief Soviet economic planner, told an American newspaper correspondent that as a result of the embargo policy the Soviet Union had greatly increased its self-sufficiency in all goods and would soon "not need to trade with the West." A similar line was taken by a Rumanian, Mr Constantinescu, in a recent article in the Cominform journal. The burden of his article deals with the co-ordination of the five-year plans of the entire East European bloc which will take place from 1956. The writer dwells with significant emphasis on the advantages of the "new international socialist division of labour." These statements are clear evidence that the old idea of bloc autarky has not been abandoned, and has merely been temporarily kept out of the limelight.

Communist intentions about grain are equally puzzling. Until recently grain was the main export of the eastern bloc, but outcoming supplies have declined sharply and exports now tend to be more diversified. Future policy is still unsettled. Earlier this year, grain markets were taken by surprise when the Poles and other satellite countries entered the market and bought substantial quantities of grain from Canada. The Russians themselves, according to Mr Khrushchev, were also interested in getting American surpluses of wheat. Mr Lester Pearson was told during his recent visit to Moscow that the Russians were interested in buying Canadian surplus stocks of grain.

Yet the Russians and the satellites are claiming record harvests this year, and exports of Russian grain to Britain and Western Europe have recently restarted, though on a

modest scale. Moreover, the chances that the Russians will be able to resume substantial exports of grain to Britain in the near future were thought to be good by the British agricultural delegation which recently returned from an extensive tour of the Soviet Union. Clearly, however, no lasting expansion of trade between East and West can be built on a system which involves Soviet purchases of Canadian and American grain and simultaneous exports of Russian and Danubian grain to Western Europe.

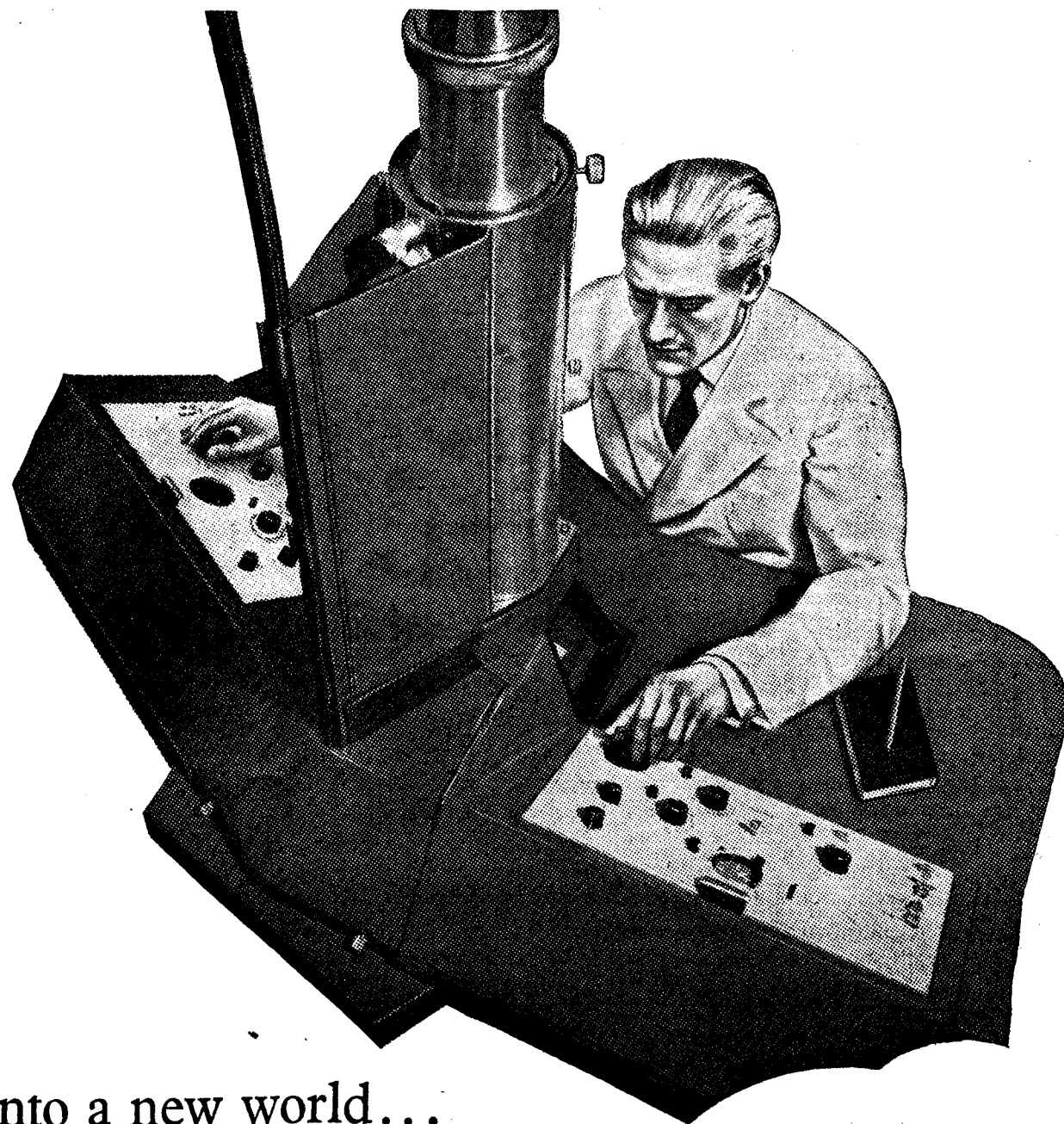
The other big question mark concerns the future of Russo-German exchanges. The Russian side hoped that the delegation which went to Moscow in September from Bonn would discuss a five-year trade treaty as well as diplomatic relations. They were disappointed, for trade played hardly any part in the negotiations. The German government regarded their mission as strictly political, and had damped down hopes of big commercial results before Dr Adenauer left for Moscow. They were supported by the Federation of German Industries, which pointed out to the public that there were no longer the same prospects of extensive trade with Soviet Russia as in the days of the Weimar Republic. (In 1932 exports to the Soviet Union represented nearly 11 per cent of Germany's total and supplied 46.5 per cent of Soviet imports.)

For the time being, German order books are over-full, except in the consumer goods industries, and there is not the same eagerness to be rescued by Soviet contracts as in the 1920s. Nevertheless, even the most realistic Germans would like to see a long-term treaty with the Russians which would guarantee a steady market—even if a small one—as an insurance against the day when the present boom has perhaps changed to a recession.

Flattery for Germans

Though negotiations remained political during Dr Adenauer's visit to Moscow, preparatory trade talks went on after he left. According to the correspondent of the *Handelsblatt*, the Russians have offered to export, *inter alia*, timber, cotton, manganese ore, chrome ore, petroleum and its derivatives, phosphates and some chemicals. They would like the Germans to send them, in return, ships, machinery, diesel engines, lathes and other technical apparatus, non-ferrous metals, heavy and refined chemicals, dyestuffs, pharmaceutical materials and artificial fibres. The Russians suggested that German chemicals might account for about DM 100 million a year out of a total volume of German exports to the Soviet Union of DM 800 million to DM 1,000 million. But the Germans had the impression that they would not be able to sell many consumer goods to the Russians.

The Russians seemed genuinely unaware that there is full employment in West Germany, and hardly believed the accounts of prosperity which were given them. For prestige reasons they took the line that the Soviet Union did not really need German trade and could, of course, easily pay for imports. On the other hand, the flattery of German skill which has for some time past come from Mr Mikoyan and his subordinates is an indication that the Russians, for both political and economic reasons, are anxious to link Western Germany to their markets. But about the Russians' capacity to pay, the Germans remain sceptical. They heard stories in Moscow of the experience of other western countries, which have found that Soviet deliveries have fallen far short of promises.



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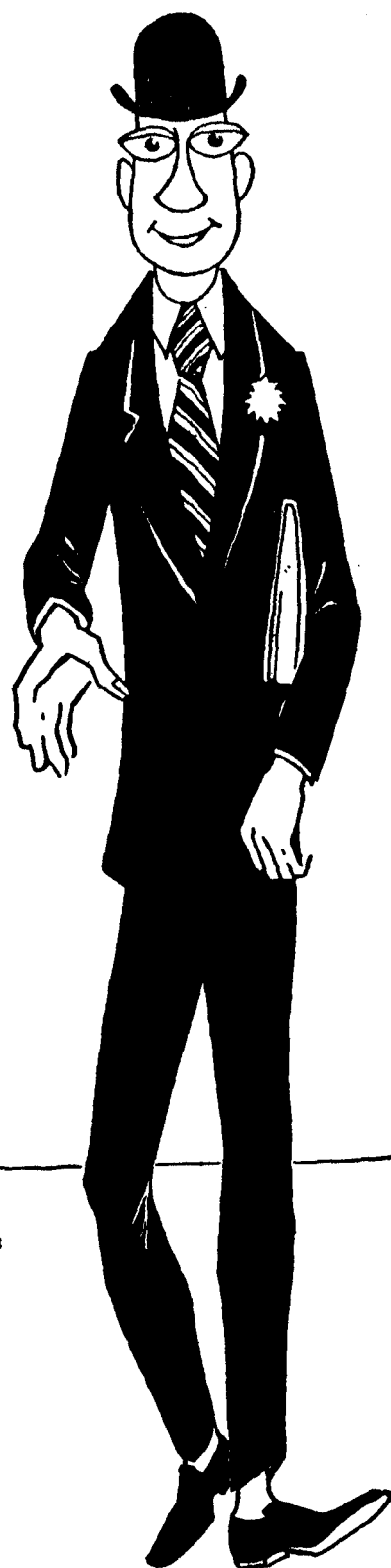
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THE BUSINESS WORLD

Recipes for Cotton

DELEGATES to this year's Cotton Board conference assembled at Harrogate in sober and anxious mood. The distress signals that were on the horizon a year ago have drawn close. Lancashire is losing ground to competitors, both European and Asian, in overseas markets and its precious home market has been invaded by duty-free imports from India and Hong Kong. Production is falling and young workers are no longer entering the industry in sufficient numbers to replace the high rate of wastage from an elderly labour force and from the vigorous bidding of Lancashire's other industries. The statistics tell a gloomy tale.

Output of yarn this year has fallen by about 10 per cent, compared with the first seven months of 1954, and output of cloth is about 7 per cent lower. Exports of cotton piece goods, which dropped to 637 million yards last year from 711 million in 1952 and 1953, were running at an annual rate of about 560 million yards in the first half of 1955. Nearly 50 mills have closed down this year; about 280 mills out of 1,600 and about 23,000 workers, are on short time, and the labour force has fallen by about 28,000 (8 per cent).

In addition to the depressing effect on production and profit margins of retained imports of cloth from India and Hong Kong—now equal to about 10 per cent of home consumption—production is also bedevilled by the general lack of confidence in raw cotton prices. The efforts of the American government to dispose of its huge surplus of cotton must be bearish (the main reason why prices of "outside growths" have recently fallen by 2d. to 4d. a lb below prices of United States cotton is the forthcoming disposal of 1 million bales of American cotton at "competitive" prices after January 1). Hence buying all over the world remains hand to mouth and order books are shorter than they otherwise would be.

The uncertainties of American cotton policy will

continue, and any hopes that the industry might have cherished of a change in the British policy towards duty-free imports were shattered on the opening night of the Harrogate conference. The President of the Board of Trade forcefully reaffirmed that the Government had no intention of granting protection against Commonwealth imports; so the duty-free and preferential policy that brings considerable advantages to British industry as a whole in Commonwealth markets still stands. Mr Thorneycroft reminded his audience that the industry had tariff protection against foreign competition in the home market; in foreign markets the industry must meet that competition on level terms. "The real question we must ask ourselves, and much hangs upon the answer, is not whether we can compete with Japan and India in the cheaper ranges of goods, but whether we can compete with Europe on Western wage scales or even with the United States on a much higher one." The answer—he implied—rested with the industry itself.

It cannot be expected that Lancashire will accept that doctrine enthusiastically. Mr Cyril Lord's sallies at the President of the Board of Trade are excellent entertainment value and his views have supporters. But the encouraging feature of the conference this year was that, reluctantly, Mr Thorneycroft's view seems to be gaining adherents. One indication of this was the interest aroused by the speech of Mr J. F. Simpson, chairman of Simpson and Godlee. Though he still maintained that the Government should limit the potential sales of imported cloth on the home market, he recognised the futility of continuing "to send deputations to Whitehall by the carriage load." It would be more constructive, he urged, for Lancashire to try to meet foreign competition, particularly from Western textile industries by its own energies.

"Speaking as a merchant, I know from bitter experience

that large contracts are being lost to this country for price differentials of around 5 per cent and less. I am well aware that the introduction of double day-shift working, for instance, will not produce dramatic reductions in the cost of yarn but reductions do not necessarily have to be dramatic when they are cumulative, and when, in addition, they are achieved at each stage of production." He also made the point that the present highly competitive conditions in the industry should be looked upon as normal.

What should be done? The road ahead is well mapped, and the progressive firms are treading it: re-equipment, the use of labour in the most economical way, including double shift-working, the production of quality goods marketed by intensive sales promotion. For the benefit of the sceptics the papers read to the conference, all of which were of a high standard, went over the ground again. One by Mr C. E. Harrison, vice-chairman and managing director of English Sewing Cotton, gave an illuminating description of how that company was meeting the problems and was a model of its kind. Never far from the discussions was the subject of redundancy, and it was perhaps natural that the thoughts of many should hanker after an "orderly" scheme of contraction, the better mills going over to two-shifts and the less efficient compensated for going out of production (a subsidy to the undeserving that worked well in war but has grave objections in peace time). An orderly adjustment has appeal. It attracts the trade union leaders, whose task in persuading their members to accept double day-shifts will be hard, and

could be worse if workers are lost to the industry because one mill closes down before another in the same district is ready to work two shifts.

Naturally, the idea of striking some bargain with the Government on the basis "we do our bit, you do yours" dies hard. The employers' representatives would find it easier to persuade their members to spend money on re-equipment, and the unions would find it easier to swallow double shifts if they could be assured of the very thing that they know the Government finds it hardest to grant—a limit on the sales of imported cloth in the home market down to, say, 25 per cent of home consumption. This idea may be behind the "new" approach that is to be made to the Government on imports.

Such a compact seems unrealistic. It is impossible to foretell what productive capacity in spinning and weaving will be needed; even if it were possible, it is doubtful if there is sufficient unity in either section to enable the spinners and weavers to agree upon and carry through a redundancy scheme. The approach, as now, must be empirical. Mills are closing down, mergers are being arranged and the progressive firms are broadening their interests—some vertically, some horizontally. The process is painful, but restrictionist policies of the past have not helped the industry to escape it. The fortunate fact that alternative employment is available in the north-west cannot fail to strengthen the Government's decision to leave the industry to work out its own salvation.

Ships and Votes

LITTLE more than 25 per cent of the ordinary capital of Union Castle Mail Steamship may be sufficient to swing the control of the company. That is the awkward consequence of the full voting rights attached to the two classes of preference capital. A buyer who has all the preference shareholders on his side needs to hold no more than 1,370,001 ordinary shares out of 5,480,000 to control the company. It is cheaper to pick up the 6 per cent "A" preference shares at 20s. 6d. per share than the ordinary £1 units at 35s. The buyer gets one vote per £1 nominal capital either way. There are not many of these fully voting preference shares in modern capital structures—Cheltenham and Hereford Breweries now exciting the share bidders happens to provide another example. When these votes do occur, they can put a queer twist into a highly controversial amalgamation scheme, like the proposed merger of Clan Line and Union Castle.

It is, for example, likely that both classes of Union Castle preference shareholders will accept an exchange into the preference capital of the new holding company. The scheme offers them both substantial increases in income, as the table of terms shows. It is

also to be expected that a substantial block of Union Castle Ordinary shareholders will accept. They, too, gain a little on the assumption of a 16 per cent dividend by the new holding company, and their dividend will be much better covered by savings. Many of them, however, think that in terms of capital assets they are being asked to sell a big birthright for a small mess of potage. It is therefore practically certain that the opposition coming from Union Castle ordinary stockholders will be so substantial that, in the absence of the preference voting rights, the merger must have failed. The opposition is still gathering strength. It started with Mr Jack Billmeir, who is thought to hold about £250,000 stock. By now it has grown into a formidable group, including leading investment trusts and other City institutions, and claiming to speak for at least £1 million stock. It is certain that the scheme cannot command the support of 90 per cent of each class of stockholder and that the new holding company, if it is eventually formed, cannot go to the Court and ask for the share exchange to be made binding on the minority. What could still happen is that the scheme could go forward and its sponsors settle for something

less than 90 per cent of each class: they could exercise control perhaps with a bare majority—perhaps even with a minority—of the Union Castle ordinary stock, leaving the dissentients to stew in their own juice as minority holders in a company dominated by Clan Line with its traditions of conservative dividends and generous reserves.

THE TREND IN EARNINGS

	Ordinary earnings £000's	Ordinary earnings %*	Ordinary dividends £000's	Ordinary dividends %†
<i>Clan Lines:</i>				
1951.....	211	58	110	35
1952.....	1,136	176	131	20†
1953.....	1,212	150	132	20†
1954.....	1,230	137	137	20†
<i>Union Castle:</i>				
1951.....	1,646	85	180	12½
1952.....	1,087	28	226	7½†
1953.....	1,138	30	226	7½†
1954.....	559	15	236	7½†

* Allowing for distributed profits tax that would be attracted on full distribution, and adding back EPL where appropriate.
† On doubled capital.

Common sense and good dealing strongly suggest that this should not happen; there can be hard argument, but there should be no brute force. In any case, stockholders have yet to be given the full facts. The formal offer to stockholders of Union Castle and of Clan Line to exchange into the stock of the new holding company will not go out until the first week of next month. Those documents will contain information that is vital before stockholders can make up their minds—in particular the present replacement values of the two fleets. At the moment shareholders have nothing to guide them beyond an old estimate of the chairman of Union Castle that the 1952 replacement value of that company's fleet was £82 million. Market estimates and private opinions are flying around that put the value of the Union Castle fleet at several times the written down figure of £11 million at which it is shown in the

balance sheet. The question is: how many times? One market estimate puts the assets applicable to the equity of Union Castle at £66½ million and those applicable to the equity of Clan Line at £34 million. If, then, the argument runs, Union Castle is to provide two-thirds of the effective assets of the holding company, how can it be right to give the Union Castle ordinary stockholders less than 40 per cent of the equity in the new company? It is sweetened by a morsel of the new preference capital, but that really amounts to no more than a bonus of about 2s. per stock unit for accepting.

At this stage it is not profitable to examine such market estimates in detail. They may aim in the right direction but still be wide of the mark. Both companies use the shipping companies' exemption order to make and maintain hidden reserves—adopting it in different degrees and applying different accountancy techniques—so that it is impossible for the uninstructed shareholder to divine the exact asset values. Union Castle increases its depreciation by the tax savings arising from initial allowances; Clan Line carries them to "liabilities, provisions and undisclosed reserves." Clan Line also carries to hidden reserve its additional depreciation charges. Yet, whatever the full figures may eventually disclose, it is hard to believe that such technicalities can vitiate the general conclusion that a big surplus of assets is to be contributed to the amalgamation by Union Castle. Those surplus assets are attributable naturally to the ordinary stockholders, but they are to be handed over mainly by the votes of the preference stockholders.

Similar differences of accountancy upset most of what has been argued about the relative earnings of the two companies. In March, 1951, Clan Line and, indeed, the whole structure of companies controlled by the Cayzer family was reorganised, and any profit analysis that tries to stretch further back must ignore that reconstruction. It ignores, too, the important fact that in 1952 and 1953 Clan Line provided no less than

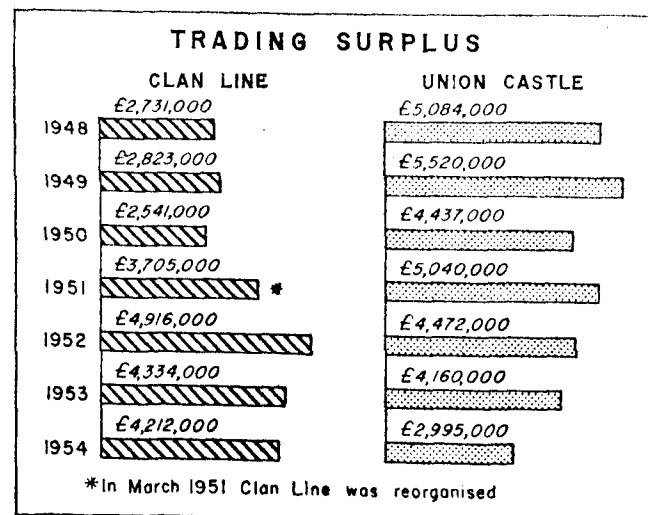
THE DETAILS OF THE SCHEME

Present capital	Exchange basis	Proposed capital	Income (gross) Now		Income (gross) After	
			Total	Per £100 nom. of existing capital	Total	Per £100 nom. of existing capital
			£	£ s. d.	£	£ s. d.
<i>Clan Line:</i>						
700,500 5½% Cum. Red. "A" Pf. £1	11/10	770,000 5½% Cum. Pref. £1	38,500	5 10 0	42,350	6 1 0
500,000 5½% Cum. Red. Pref. £1 ..	11/10	550,000 6% Cum. Red. (1965) Pref. £1	27,500	5 10 0	33,000	6 12 0
250,000 5½% Cum. 2nd Pref. £1 ..	11/10	275,000 5½% Cum. Pref. £1	13,750	5 10 0	15,125	6 1 0
1,260,000 Ordinary £1	8/3	3,360,000 Ordinary £1	252,000	20 0 0	537,600	42 13 4
<i>Union Castle:</i>						
24,000 4½% Cum. Pref. £10	10/1	240,000 5½% Cum. Pref. £1	10,800	4 10 0	13,200	5 10 0
2,500,000 6% Cum. Pref. £1	6/5	3,000,000 5½% Cum. Pref. £1	150,000	6 0 0	165,000	6 12 0
5,480,000 Ordinary £1	1/5	1,096,000 6% Cum. Red. (1965) Pf. £1	411,000	7 10 0	{ 65,760 }	7 12 0
	2/5	2,192,000 Ord. £1				

Note:—£1,670,220 5 per cent Debenture stock of Union Castle will not be acquired by the holding company.

£373,000 in EPL, whereas Union Castle never graduated into the EPL class.

The argument so far amounts only to shadow boxing, brightened by one or two "unfacts," such as the claim that Union Castle provides 52 per cent of the equity earnings of the proposed merger company. The one certain point is that the sponsors of the scheme who



propose to make Union Castle a junior partner in a new company dominated, but not mathematically controlled, by the Cayzer family think that the ratio of about 60 Clan to 40 Union Castle is fair. They are

influenced obviously by the fact that Clan Line's earnings over a period of years have been rising while Union Castle's have been heading downwards, but they would also claim that the 40/60 ratio allows for future prospects as well as for past performance, in particular for the new ten-year mail contract with South Africa. From the Cayzer side there can be no question of a better offer. To make one now would be to admit that the present offer is less than just.

The present offer, it would seem, ought to be abandoned unless the reactions to the full offer are much more favourable than were those that the preliminary announcement evoked. To hold a large minority—possibly even a majority—of Union Castle ordinary shareholders prisoner in a company dominated by Clan Lines and chained there in fact by the tie of their own company's voting preference shares would be the kind of exercise of brute force from which responsible opinion would recoil. But if this scheme is not accepted, something will still have to be done about Union Castle and no mere concentration on high asset values will provide the answer. Union Castle, with its 100 years of history, now needs new money and new blood. A formidable replacement problem has to be faced. In or around 1960 six of the company's vessels, five of them big passenger liners, costing between £6 million and £7 million each, will be 25 years old and be shouting for replacement. If the Clan merger is abandoned, whence are the money and the management to come?

Business Notes

Before the Budget

UNTIL Thursday the atmosphere in the stock market was reminiscent of the lazy ease of a Sunday afternoon. The fret of Monday's work was still in the future. The cash lists for the 4 per cent Conversion stock were closed but the conversion lists were not. And the Chancellor's new measures were still some days away. It seemed to be a time to wait and see what the future would bring. Nor can there be any doubt that some of Mr Butler's speeches contributed to this sense of balmy comfort. The markets were thin and price movements thus tended to be exaggerated. The cuts in capital expenditure that the Chancellor was expected to announce, it was argued, were good for gilt-edged. So gilt-edged prices rallied. But equities, too, were better—with far less reason. Some of the electrical equipment issues led the way and in the week to the close on Wednesday (the first day of the new account) the *Financial Times* ordinary index gained 4.3 points to stand at 189.4.

	Oct. 13	Oct. 19	Oct. 20
Consols 2½%	59	58½	59
Savings 3% 1955/65	88½	89	89½
Funding 3% 1966/68	85	85½	85½
Brit. Transport 3% 1978/88	76½	76½	77
Woolworth	58/1½	57/9	56/9
GUS 'A'	42/6	41/3	39/3
Ford	45/-	44/-xd	41/9xd
British Motor Corp.	10/7½	10/3	9/9
Dunlop	26/6	26/9	25/6
Assoc. Electrical	78/6	77/-	76/3
ICI	46/10½	47/-	45/6
Stewarts & Lloyds	66/3	67/3	65/9
Tube Investments	93/-	92/6xd	90/9
Turner & Newall	97/6	97/3	95/6
United Dominions Trust	73/9	73/9	69/6
Imperial Tobacco	60/3	60/7½	59/9
Pye Defd.	22/-	22/9	22/-
Brit. Petroleum	102/6	100/7½	98/9
F.T. Industrial Index	188.0	189.4	189.8

The atmosphere of indolent buoyancy was shattered by the news that an Autumn Budget is to be presented to Parliament on Wednesday. Gilt-edged prices were immediately given another boost; the undated stocks, which had been in the van of the earlier rally, took the lead, with War Loan rising ½ a point to 80½ on Thursday. Thursday was the day of justification for the gilt-edged market, but a day of unpleasant anticipation for the industrial market. The *Financial Times* ordinary index came down sharply by 5.6 points to 183.8. Losses were common throughout the list and were particularly heavy in those stocks, such as building, electrical equipment and stores, that had been rising at the end of the old account. That was only an initial reaction: markets cannot find their true level until the Budget is known.

Postscript on the Loan

THE second stage of the Treasury loan operation launched last week will not be completed until after this issue of *The Economist* goes to press—the list for conversion applications remained open until Friday—but there is no doubt that the cash side has achieved a greater measure of success than most people would have thought possible only a few weeks ago. This does not mean that the £250 million offer was oversubscribed in anything more than the customary technical sense. A large slice of this stock, ostensibly issued for cash, has merely replaced "tap" issues of Treasury bills in the portfolios of the "departments," which to that extent have become less liquid. But the proportion of genuine subscriptions has generally been estimated in the market as ranging towards £100 million, which is a substantial amount in circumstances of sustained stringency in the City houses to which a short stock of this kind makes its principal appeal.

It is not easy, indeed, to guess from what quarters such an amount could have been provided. The one surprise, by comparison with first expectations, was the response of the discount market. To the discount houses the stock looked attractive; unlike all existing "shorts," it offered a current yield in excess of the average cost of carrying the bonds on borrowed money. But at first sight the market doubted whether the credit squeeze really left it scope for increasing its bond portfolios. In the event, however, it found it possible in effect to exchange bills for stock, and probably applied for rather more than one-third of the amount estimated to have been placed outside the "departments." Some of the big banks are known to have shown little or no interest; others are believed to have taken moderate amounts, but they can scarcely have accounted for the £50 or £60 million assumed to have been taken beyond the discount market. Following their usual practice, the monetary authorities met the technical situation created in the short loan market on the day of the issue by heavy "special" purchases of bills. There does not seem to have been, as on some former occasions, any notable automatic neutralisation through operations in the bond market. Although the loan has caused some switches from other short bonds, no tidal movement of this kind has been set in motion. The first stage in the unwinding of these technical operations was seen at last Friday's Treasury bill tender, when only £230 million of the offer of £260 million was allotted.

Smoking Costs More

ALL four of the major cigarette manufacturers raised their prices this week, the first general increase since 1951, but not all brands are equally affected. For instance, Carreras' Piccadilly No. 1, which has been selling in the 3s. 9d. for twenty class will now cost 3s. 10d. whereas the price of twenty Churchman No. 1 has been raised by 2d. to 3s. 11d. Several minor brands have not been changed at all. But in the main, a penny has been added to brands selling at 3s. 7d. (or lower) for twenty and twopence to the more expensive brands.

Imperial Tobacco—which is the biggest manufacturer by far, making four-fifths of the cigarettes smoked in Britain—led the way by raising its prices on Monday and the other manufacturers all followed later in the week. It would not have repaid the industry's smaller fry to have hung back on all their brands. All have been faced with rising production costs; and those brands that are fast declining in popularity are losing on grounds of preference rather than of price. There are enough popular brands in the cheaper class of cigarettes, including Wills Woodbine in the Imperial Tobacco range which sell in enormous numbers, to absorb any switching to cheaper brands that may now take place.

What must concern the manufacturers more, however, is the effect that these increases may have upon total cigarette consumption. Total sales have been rising only slowly this year, the first since 1939 that has been free of general restrictions upon supplies, although the two leading brands, Players and Senior Service, have since had to be put back on restricted delivery. But in volume sales of all cigarettes are still nearly ten per cent below the level of the restricted deliveries that smokers eagerly snatched up nine years ago before Mr Dalton's increase in duty. Fierce competition has now broken out again in this industry. More of the smaller companies have been absorbed, new brands have been heavily and expensively advertised, and existing brands have appeared with extra wrappings. But bigger expenditure on packing materials is not the main reason for this week's increase in price; leaf, labour, and transport and fuel costs have also risen and tobacco wholesalers and retailers have been clamouring for some time for bigger margins to cover their own rising costs. Out of the new price of 3s. 8d. for twenty, distributors will now get on the average a little more than 4½d. and the manufacturers' share will be a little more than 6½d. But to begin with, some of the manufacturers' extra revenue will be repaid in slightly thicker cigarettes. Shareholders, it should be noted, have been warned not to expect larger dividends as the result of these price increases.

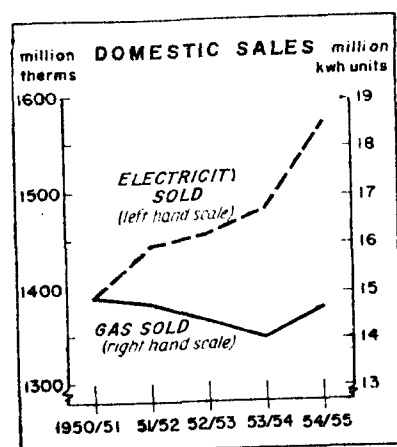
Atomic Tenders

THE Central Electricity Authority has announced the sites of its first two atomic power stations, at Bradwell in Essex and Berkeley in Gloucestershire, and preliminary specifications for those stations have already reached the four groups of companies who intend to tender for them.

The full, detailed specifications have still to be completed. The capacity of the stations will be of the order of 120,000 to 200,000 kW. Engineering teams of the groups have been working on power station designs, under the tutelage of physicists of the Atomic Energy Authority, since the end of 1954. These designs were more or less completed by this summer, and the groups have been waiting to receive the CEA's exact specifications so that they could then begin to fit their designs to the CEA's requirements. As construction of the first two stations is due to start in mid-1957, and a year's notice has been promised to contractors, the tenders will have to be submitted within the next few months. Construction of another two stations is due to begin eighteen months after the start of work on the first pair.

More Gas in the Home

SALES of gas to domestic consumers, who are the industry's most important customers, rose in 1954-55 after falling slowly but steadily for some years—and the Gas Council thinks they rose more than could simply be put down to a cold winter. During the past five years the replacement of a very large number of old gas cookers and fires by new and more efficient appliances has been enabling housewives to get more heat without using as much gas; the industry has gained extra consumers, but they have taken less gas. By now, the industry thinks, the modern cookers and appliances form such a large proportion of all those in use that rising standards of heating and cooking are once again beginning to be reflected in consumption of extra gas. The industry's competitors in the electricity industry had no such developments in appliance efficiency to complicate their progress, and their sales have continued to rise over the whole period.



In 1954-55, indeed, electricity sales to domestic consumers rose by 10.5 per cent, against the rise of only about 2.5 per cent in gas sales. The gas industry, however, continues to make progress in the industrial field, sales to which rose by 9.3 per cent last year.

About £181 million of the industry's gross revenue of £325 million in 1954-55 came from sales of gas; some £92 million was obtained for its chemical products of carbonisation, and nearly £37 million from the sale and hire purchase of appliances. During 1954-55 these hire purchase sales were continuing to benefit from the removal of restrictions on selling water heaters in August, 1953; the Area Boards sold about eight times as many of these heaters on hire purchase as in 1952-53, when restrictions were on. This year the re-imposition of restrictions on

credit terms of purchase has once again cut these sales in half. In the summer of last year the boards were selling four cookers on hire purchase for every one for cash; this summer the ratio is about 2.5 to one. The industry continued to make a modest surplus on all its operations; for 1954-55 the figure was £2,472,553 (ten area boards having likewise made surpluses and two having incurred deficits). The industry spent about £55 million on capital account last year, and had intended to spend rather more this year and next, after which its capital expenditure might have been expected in any case to decline. But its plans for this year and next are now "under review again."

£5 Million for BICC

BITISH Insulated Callender's Cables has come to the market with a conventional rights issue of ordinary shares. It has not adopted the technique recently used by Tube Investments of pitching the price of the new shares so far below the market that it was half-way between a scrip issue and a capital raising operation. So it has not been able to dispense with underwriting; Telephone and General Trust has underwritten the issue for a total commission of 7½d. a share. The offer consists of 2,650,000 £1 ordinary shares at 38s. per share; 2,470,000 of these shares are offered to ordinary stockholders in the proportion of one new share for every £5 of ordinary stock held. Stockholders are also invited to apply for the balance of 180,000 shares at the same price.

What inducement is there for the ordinary stockholder to put up more of his money? It is not in the value of the rights. They were worth about 1s. 6d. a share at a price of 47s. ruling on the old stock on the eve of the announcement. It is to be found rather in the projected dividend yield. For 1955 the directors intend, since profits so far this year are above those earned in the same period last year, to recommend an ordinary dividend of 12½ per cent. That compares with the 1954 dividend of 10 per cent, to which the directors added a special tax free distribution of 2½ per cent out of a "realised capital profits reserve." The new shares will not rank for the interim payment in December of 4 per cent but they will rank for the final payment. On a 12½ per cent dividend the new shares would offer a yield of £6 11s. 7d., about £1 5s. higher than that offered by the general run of blue chip equities. The directors have also given investors time to dig into their pockets; the first call of 20s. a share is on November 11th and the remaining 18s. does not have to be paid over until December 9th. The directors, however, were not lucky with their timing. After the news of the autumn Budget the old shares fell back to 45s. 6d.

Though its bank overdrafts are up it is not the credit squeeze that has forced BICC to come to the market. The company is in real need of permanent capital. It has a massive re-equipment and development programme, amounting to £9 million in the next few years; it will continue to invest in cable and allied industries abroad; and, thanks in part to a full order book, its working capital requirements are higher. Copper prices, too, have played



Driving force

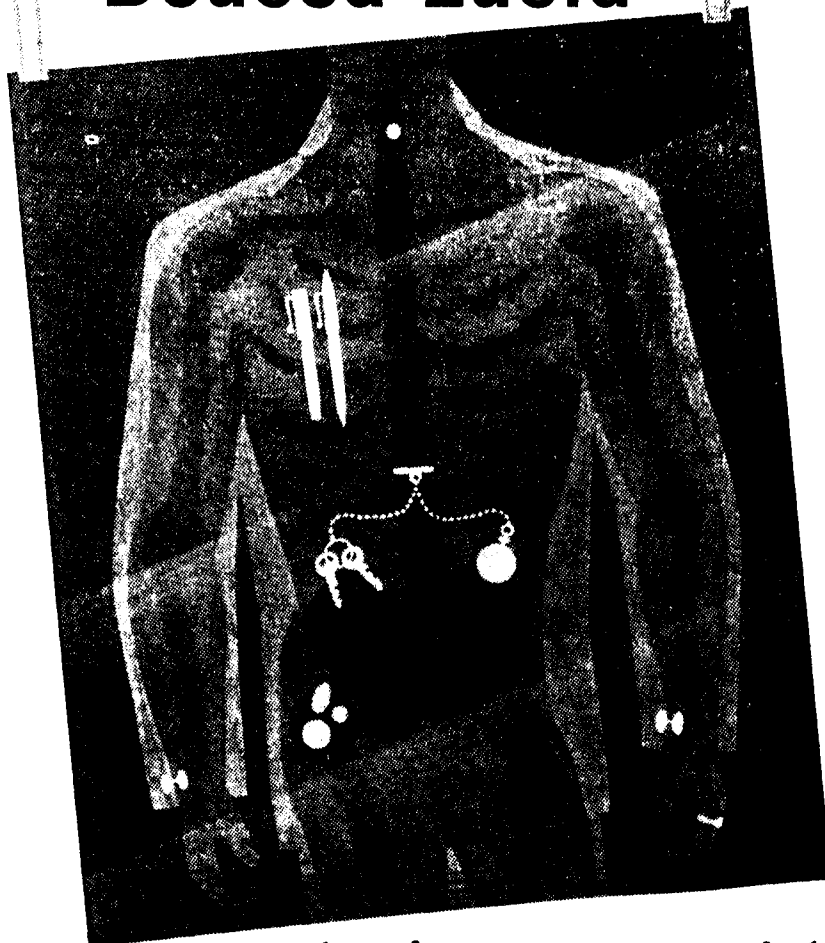
It seems an odd machine to be connected with papermaking, this gigantic pile-driver looming ponderously above a river. But it is a symbol not only of the physical development but also of the wide-ranging activities of the Bowater Organisation. For, at Bowaters' Thames Mills, a deep-water dock is under construction. At all states of the tide it will take the ocean-going ships that bring cargoes of wood-pulp from the Bowater mills in Canada, Tennessee and Scandinavia—and carry away paper to ports all over the world. Soon there will be more ships; and as the number grows, so Bowaters are developing their road transport... building new workshops, maintenance depots and garages. Yet these transport developments are only a part of a world-wide expansion programme which has six new paper-making machines at its heart. Around them new factories, power stations, offices and laboratories are being built. A new chapter is being written in the industrial history of this century.

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their part. The company buys about two-thirds of its copper from the Rhodesian Selection Trust group at fixed prices, but the increase in copper prices has swollen its working capital. Perhaps it is only here that the credit squeeze has had an influence—and, then, only a marginal one—on the decision to appeal for permanent capital.

Viscount and Vanguard

VICKERS-ARMSTRONGS' announcement of plans for the new Vanguard airliner was made this week so that Vickers salesmen could start the hard and slow business of interesting airlines in an aircraft that will not be available to them for at least six years. There has been considerable speculation about what form the "Viscount replacement" would take, and since Lockheed in America produced details of the Electra turbo-prop airliner some months ago (and has secured orders for 70 from two American carriers in the last few weeks) airlines have begun to ask what alternative Vickers would have to offer. The Vanguard has been tailored to meet the requirements of British European Airways, but it has also been designed for a far wider market. The aircraft can carry more than 100 passengers and should be able to operate over distances of up to 2,500 miles, but it is, like the Electra, classed as a "medium-range" airliner unsuitable for such long-distance operations as the North Atlantic even though its ultimate range compares with that of the early Comets and Britannias.

The Vanguard is not likely to fly before 1959; drawings have not yet been completed, but the engines are due to start flight trials early next year. These are the Rolls-Royce RB 109 turbo-props of 4,000 shaft horse power—renamed the Tyne, the engines in which both Lockheed and Douglas have shown considerable interest. By increasing the compression ratio well above current practice, Rolls-Royce expect to get a substantial fuel saving, and this economy holds the key to the Vanguard's estimated performance. Negotiations between BEA and Vickers to buy an initial fleet of about 20 Vanguards (costing with spares about £1 million each) for delivery in 1960-61 still await Treasury approval. The order is likely to mark for Rolls-Royce the end of a difficult period during which the company developed the Tyne engine entirely as a private venture since government support was not forthcoming for it. A development contract for the engine now seems probable.

Vickers is expanding its capacity substantially in order to be able to handle production of both Viscounts (which will be sold to customers who have not the traffic for 100-seat monsters) and Vanguards. Production of Viscounts is catching up on delivery schedules again, and is now five a month with six a month in prospect next year. The planned rate of 100 a year should be reached by 1957 and the following year will see the start of Vanguard construction. This will start slowly at the rate of about one a month for the first year, but Vickers plans for additional capacity have been laid in such a way that if Vanguard production fails to gain momentum after 1960, it will not be for lack of assembly space.

The New Cars

THE last of the new cars to be announced before the Motor Show opened in London last Wednesday was a slightly smaller, 2.3 litre version of the 3.4 litre Armstrong-Siddeley Sapphire offered with a choice of two engines. One is a 4-cylinder power unit giving 120 brake horse power and a top speed of 100 mph; in this form the car costs £1,510. The second version has a 6-cylinder engine of 85 bhp, with automatic transmission but without the same high speed performance of the more powerful engine, costing £55 more. The small Sapphire is only 3½ inches narrower and 1 foot 1 inch shorter than the 3.4 litre car, but at 26 cwt it is about 5 cwt lighter; this explains both the high performance and the estimated fuel consumption of 30 mpg. Daimler has announced a 3.5 litre saloon with 100 mph performance selling, with tax, for £2,671. The Standard Motor Company offers a redesigned Vanguard with a longer wheel-base at £850, or £63 more than the Vanguard II that it replaces. This is the biggest price increase to be made among the Show's mass-produced cars; the new Vanguard shows some important innovations but the change to integral construction, with a saving in weight and improvement in performance, would not necessarily be expected to lead to higher costs.

Until this year's Show, the choice of cars selling, after tax, at £1,000 to £1,500 was limited to two or three British-built cars and a number of European models whose prices were inflated by customs duty. This year's new cars, the Sunbeam Rapier which sells at just under £1,000; the small Jaguar selling at £1,269; the new Sapphires and even the Citroen that sells in this country at £1,403 seem deliberately designed to fill this price gap in the range of cars offered by British factories; here the new Jaguar seems to be capturing most of the immediate attention.

There are few changes among the smaller cars which, with their sugar-candy trim, create in a mass the strong impression that the makers have bought their paints from one supplier. This year the new Citroen stands squarely in the centre of Earls Court as a challenge to British designers in the adaptation of well-tried engineering methods to car design. To its side is the smallest Renault, retailing with purchase tax and duty at £616, which has a form of two-pedal control that serves the purpose of automatic transmission, a convenience offered by no mass-produced British car. These are an indication of the competition that British cars must meet in foreign markets.

New Outlook for Rubber

IT is time for fresh thinking about rubber. Both the commodity market and the share market seem to have made up their minds to that in advance of any statement that may emerge from the current meeting of the Rubber Study Group. The markets have lost their gay abandon. Spot rubber recently at 3s. 7d. per lb has dropped back sharply and has now steadied around 3s. The shares, too, are much below recent peaks and the share market is idle although producing companies ending their financial

years either in September or in December cannot fail to show fine figures. United Siam Betong, for example, at 54s. compare with 63s. 9d. a few weeks ago.

This does not mean that the supply and demand equation has changed suddenly from shortage to heavy surplus. It does not even mean that there will be no further end-of-the-month squeezes in the commodity market, though the fulfilling of Russian contracts that accentuated them in earlier months may not be so much in evidence as the Russians are not buying at the moment. Russian demand remains unpredictable and supplies of some grades of rubber remain barely adequate. But men in the markets try to take a longer view and feel that gradually some of the factors that produced the unexpectedly sharp rise in rubber prices this year may lose impetus.

The big surprise factor this year has been American consumption. Taking natural and synthetic rubbers together, it will amount to only little less than 1,500,000 tons for 1955, nearly 250,000 tons more than was expected earlier in the year and much more than in any previous year. Two factors contributed: car production running at record levels carried a record demand for initial tyre equipment, and the introduction of the tubeless tyre created an abnormal replacement demand. That abnormal replacement demand must have been largely filled, and the current tendency of American car dealers to cut prices on new cars suggests that even the giant American automobile market may be nearer to saturation than some have supposed.

If those fears should prove founded the American rubber manufacturing industry will again have a freedom of manoeuvre in which it can play off synthetic rubber against natural. The relative prices of synthetic and natural suggest that when that opportunity comes it will be used. Natural rubber in New York (December delivery) costs around 44 cents per lb. The domestic price of synthetic (23 cents ex factory) is equal to 24.10 cents delivered, while the export has been raised 2 cents to 26.10 cents per lb fas. It seems possible that next year—not in the early months perhaps—American manufacturers might have a little more opportunity for mixing natural and synthetic to suit their purses and that there might be more synthetic available for export. Britain alone, for example, proposes to import 70,000 tons of synthetics (including 50,000 tons of general purposes rubber) next year, compared with a total import of about 24,000 tons of all grades this year. To this country with a total consumption this year of perhaps a little over 250,000 tons the proportionate change is considerable.

Sterling Trade With Japan

THE payments agreement between the United Kingdom and Japan has been extended for eleven months from October 31st. That result follows protracted negotiations that have been running intermittently in Tokyo since last June. The background to these discussions was the exceptional amplitude of the swings in payments between Japan and the sterling area since 1953. In that year Japan had overspent its sterling earnings by more than £100 million; its reserves were nearing exhaustion and had to be fortified by exceptional measures. These included sub-

stantial drawings of sterling from the International Monetary Fund, the borrowing of sterling in the London market against dollar swaps, and a considerable use of sterling short-term credit facilities. The 1954 agreement, therefore, endeavoured to restore equilibrium by giving Japan better opportunities for earning sterling. Japan seized them in no uncertain manner and, by the end of 1954, was acquiring sterling at an impressive and even disquieting rate. That trend has continued this year.

The extended agreement endeavours to increase the total volume of two-way trade between Japan and the sterling area. Although Britain has long departed from bilateralism in payments arrangements, some attempt is also being made to secure a rough balance of trade between Japan and the sterling area at the high level of £250 million each way. This compares with a current rate of payments of about £210 million. This expansion *cum* balancing operation is to be secured in the main by inducing Japan to lift some of the restrictions that have been imposed on the import of sterling goods. The restrictions take the form of quotas, of a strict allocation of sterling in the foreign exchange budget and of administrative measures such as the compulsion placed on Japanese importers of certain sterling goods to deposit with the Japanese authorities a substantial proportion of the payments well in advance of the date when payment is due.

Many of these restrictions are being removed and Japan has allocated a firm £127,500,000 for sterling imports in the foreign exchange budget covering the first six months of the extended agreement. In addition Japan has raised the quota for imports of wool textiles. Increased use of sterling by Japan will also follow the unblocking of about £300,000 of earnings by United Kingdom film companies. Sterling expenditure should be further increased following the decision to leave Japanese importers free to choose whether they buy sterling or dollar oil.

The British counterpart to these concessions and to the elimination of the element of discrimination against British goods has been an undertaking to maintain all existing open general licence facilities and all quotas under the 1954 arrangement and to increase from £2,200,000 to £4,700,000 the quota for imported canned salmon from Japan. It is, however, in the trade between Japan and the rest of the sterling area that the hopes of an expansion and greater balancing of payments must lie. Already Japan is spending appreciably larger amounts on rubber, wool, cotton and other commodities from the sterling area. Japanese exports of textiles and light engineering goods to some of the colonies are also expected to increase over the coming year.

The Deltic Diesel

THE new 3,300 hp diesel electric locomotive exhibited by English Electric at Liverpool this week is remarkable for its combination of great power with relatively light weight. It is the most powerful locomotive of this type in the world and weighs 106 tons; this has been achieved by using the Deltic engine first developed about five years ago by the Napier subsidiary of English Electric for high-



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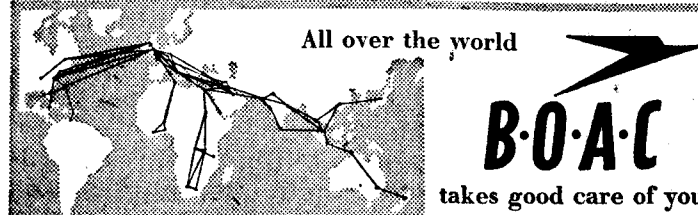
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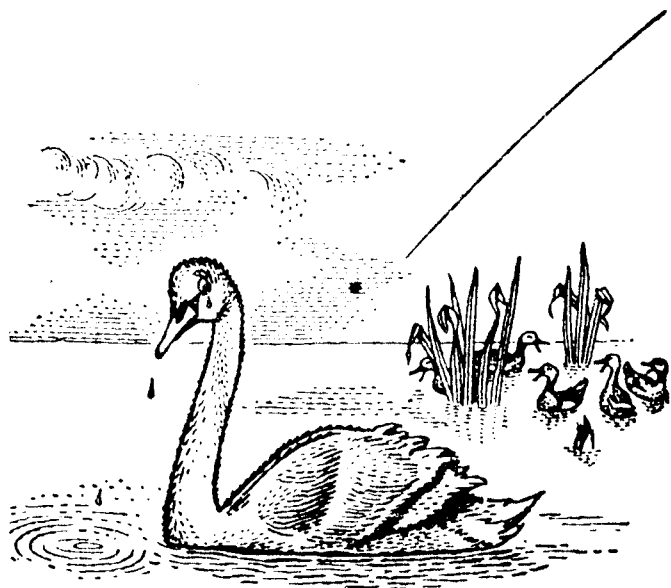


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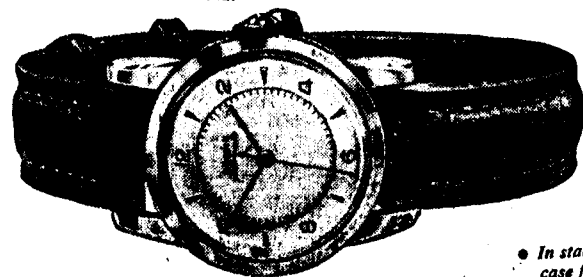


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speed light naval craft where high performance with low weight is essential. The Deltic is a two-stroke 18 cylinder engine, with its cylinders arranged in three banks of six, each bank forming an inverted equilateral triangle. This structure gives the engine its name; it also makes it very compact, strong, and rigid, thus allowing light alloy metals to be used without raising problems of stress. The engine Napier has built for rail traction has a power/weight ratio of as low as 6 lb per hp against the more usual 10 lb per hp. The new locomotive, also named Deltic, is fitted with two of these power units each with its own generators, cooling systems, and silencers; it has a maximum axle loading of 18 tons and a total power/weight ratio of 72 lb per hp. This is much lower than the 104 lb per hp of the 2,400 hp Trainmaster, the largest diesel locomotive in use in the United States, and it is also lighter than the 85 lb per hp of the 2,000 hp Kraus-Maffei diesel hydraulic locomotive under development in Western Germany. English Electric is the largest diesel locomotive maker in this country and its marine and aero engine interests must be of considerable benefit to its traction department.

Over £500,000 has been spent in developing the Deltic locomotive in the last four years; it is plainly intended to cater for main-line passenger and express freight services on British Railways but it can also be built for service in overseas markets. At a price in the region of £120,000 the Deltic is the cheapest in terms of horse power of the thirteen locomotives the group submitted to British Railways in the summer when tenders were invited for the first batch of 170 main-line diesel locomotives. The Deltic will haul a 500-ton passenger train on flat stretches at its designed speed of 90 mph (it can be geared to higher speeds) and will take a 900-ton freight train at just over 60 mph, also on the level. The first model was passed to British Railways on Wednesday for a graduated series of operational trials which are expected to culminate in service on the regular Liverpool to London run later next month. Well before then, however, British Railways should be announcing the results of the tenders submitted three months ago.

New Zealand's Penal Rate

SOME astonishment was caused in the City this week by the news that the Reserve Bank of New Zealand had raised its minimum rate of discount from 6 to 7 per cent. The astonishment sprang first from the sheer height of the rate—by far the highest that has been seen in any Commonwealth country, or indeed in any major country, apart from the rather special case of Japan, for many years. The nearest recent approach to such levels was the German 6 per cent of 1950-52. Secondly, until quite recently New Zealand had shown no faith at all in the interest rate weapon. Until last year the Reserve Bank's rate had for years remained ineffective at a mere 1½ per cent. Then the orthodox weapons were suddenly seized and have since been wielded with extraordinary vigour. The rate rose twice in 1954, to 4 per cent, and the 3 per cent further rise has been compressed into the period since last July.

Moreover, this severe action has been associated with more direct measures to ensure a tight squeeze upon credit. The reserve requirements imposed upon the banks have

been raised twice in recent months, compelling the banks to tighten their grip upon advances. The rise in bank rate is especially designed to ensure that there is no comfortable way of escape from this pressure through borrowings by the banks at the central institution; the cost of such borrowings is now, presumably, prohibitive. This line of approach to the problem of correcting external disequilibrium presents an interesting contrast to the Australian approach, which looked first to import controls, and is only now turning to the domestic economy—so far without any recourse to interest rates. The comparative experience may yield some valuable lessons.

Settling East-West Payments

A WORKING party of financial experts from the Economic Commission for Europe met in Geneva recently and agreed on a series of recommendations for establishing a central agency to co-ordinate a multilateral East-West European payments system. Its recommendations are to be forwarded to the Governments of the 26 ECE member states. They include "arrangements amongst a comprehensive group of countries representing a substantial share of the volume of East-West trade whereby their central banks report to an agent such claims and liabilities arising in their bilateral accounts as they may wish to submit for multilateral compensation, on the basis of which reports the agent would make specific proposals for compensation." The difficulty that led to the discussions at Geneva was the virtual impossibility for West European countries, other than Britain and Germany (whose currencies are widely transferable) to compensate surpluses and deficits incurred in their trade with countries of Eastern Europe. If, for example, Italy has a surplus in its trade with Poland and a deficit in that with Czechoslovakia, there is at present no means of off-setting the two. Now a crude version of the first Intra-European Payments schemes under which OEEC countries began to move towards multilateral compensation is proposed. It will work only on a voluntary and non-automatic basis, each off-setting operation requiring the consent of all parties concerned. One point that emerged from the discussions at Geneva was that the so-called "rouble bloc" provides no compensation machinery among its own members comparable with EPU.

The main reservations to the agreement reached in Geneva came from the United States, the United Kingdom and Western Germany, whose currencies are either convertible or widely transferable. For them the problem of compensation hardly rises in their East-West trade transactions. All East European countries are in the sterling transferable account system and are prepared to use sterling in their transactions with the sterling area. Surpluses and deficits can therefore be offset through the normal transferable account facilities. It was agreed in these discussions that USSR uses transferable sterling widely in settling its external payments, not only with the non-Communist world but also with the satellite countries. A still wider use of transferable sterling could in fact do away with the need for setting up new machinery to compensate East-West payments—a point that was not lost in the Geneva discussions.

Air Fares and Profit Margins

THE international airlines plan to increase first-class air fares next April by about 10 per cent, while leaving the tourist fare structure unchanged and even extending in some areas the "third-class" rates for services run with old aircraft. These changes are subject to approval from their respective governments, but it would be unusual if this permission were refused. The decisions were reached at a rate-fixing conference of the International Air Transport Association, whose members carry 85 per cent of the world's air traffic. At IATA's tenth anniversary meeting held this week in New York, the director-general, Sir William Hildred, sketched in the background to the fare increases. The operators are precariously balanced between rising costs and rising traffic; one just managing to offset the other so that costs per tonne kilometre were shown to be stationary in a recent IATA analysis. But Sir William is constantly concerned with the narrowness of the margins on which the airlines operate. Their operating profit last year appears to have been \$71 million, the same level that it has maintained since 1952, and it gives the airlines a gross operating margin of about 3 per cent on Sir William's calculations. Capital expenditure last year was \$200 million. But when the profits of the American domestic carriers are deducted from the total, the true international operators are left with a margin of \$4 million only, or $\frac{1}{4}$ of 1 per cent and this, he suggests, is much too small for comfort even if the final figures should show that the international operators' margin is nearer 1 per cent. One moral, perhaps, is that the international airlines might learn something from the

American domestic carriers about the economic handling of large numbers of passengers.

Investment Still Growing?

NO sign has yet appeared of any slackening in the mounting pressure on the capital goods industries. During the first half of this year production of all engineering goods and vehicles rose by about an eighth, a bigger increase than in any previous year since 1946. More recent information about machine tool orders and applications for certificates to build new factories, which are as good a guide as any at present to investment activity, suggest no diminution in this pace of advance. There was the usual seasonal fall between July and September, but new machine tool orders in July and preliminary figures of applications for factory building certificates up to September were both still higher than a year ago.

By the end of July the machine tool industry had taken about £57 million worth of new orders, 45 per cent more than in the same seven months of 1954. Its output meanwhile had risen 12 per cent in value and about 10 per cent in volume. This could have been higher, but the industry is still very short of skilled labour and draughtsmen. The bulk of this new business came from industries in this country. These ordered about £44 million worth of new tools and took delivery of £31½ million of orders placed earlier. But orders remaining outstanding rose to over £70 million and, with about £22 million overseas business

Transport Traffic and Costs

SOME bold and interesting arguments about the costs and operations of different systems of public transport in Britain were given by Mr Peter Masefield in his presidential address last week to the Institute of Transport. Detailed information about certain sections of the transport industry is scanty; Mr Masefield is to be congratulated upon culling so much and perhaps also upon the bold forays from what he has been able to collect. His main comparisons are incorporated in the table. They refer to public transport; freight carried in traders' own "C" licence vehicles has been excluded, but the overseas activities of shipping companies and airlines are included.

For transport to develop its full potential Mr Masefield argued that three conditions were needed—adequate investment, operating units of the right size, and separate control for each competing form of transport. Sections of transport have certainly been starved of capital in the last two decades; he suggests, moreover, that the industry needs to earn about 7 per cent on the capital it employs instead of the 3½ per cent that on his reckoning it does. In air transport—Mr Masefield leaves the

post of Chief Executive of British European Airways at the end of this month to join the Bristol Aeroplane Company—he holds that there should be separate, competing units, each with a staff of perhaps between 12,000 and 16,000 for the most efficient results to be achieved. Mr Masefield is a firm believer in the advantages of competition; he dislikes

the system of air route licensing, and oddly enough in view of his insistence on the need for capital, the way that shipping companies have taken over the independent air lines, and he rejects suggestions for co-ordinating different transport services by integration. Competition in transport can never be perfect but some of it is far better than none.

BRITISH PUBLIC TRANSPORT: 1954/1955

	Shipping	Railways	Roads	Air	Inland Waterways	Total
Traffic:						
Capacity ton miles ('000 mn) .	1,228.0	71.3	29.0	0.4	0.4	1,329.1
Load ton miles ('000 mn)	716.0	27.3	15.4	0.3	0.2	760.2
Load Factor (%)	58	38	53	65	54	54
Average pass. journey (miles)	280	15.5	3.2	700	...	...
Average vehicle speed (mph) .	15	15	17	180	5.5	...
Revenue and Costs:						
Revenue (£mn)	790	460	498	65	1	1,754
Operating costs (£mn)	710	440	466	62	1	1,619
Costs per capacity ton mile (d) .	0.14	1.48	3.85	37.00	2.70	...
Revenue per load ton mile (d) .	0.25	4.03	7.79	59.30	4.89	...
Break Even Load Factor (%) .	52	36	49	62	54	...
Approx. return on Fixed Capital (%)	4½	1½	5	2½	...	...
Fixed Capital (£mn)	1,800	1,510	640	123	32	4,005

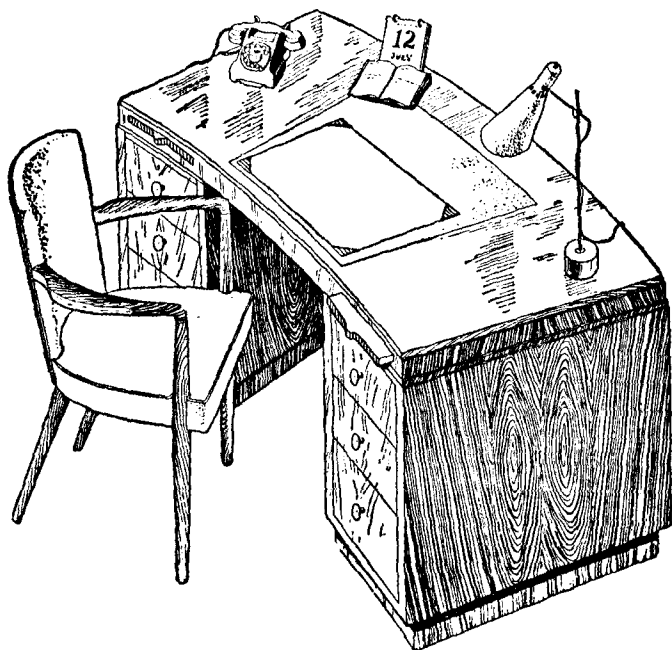
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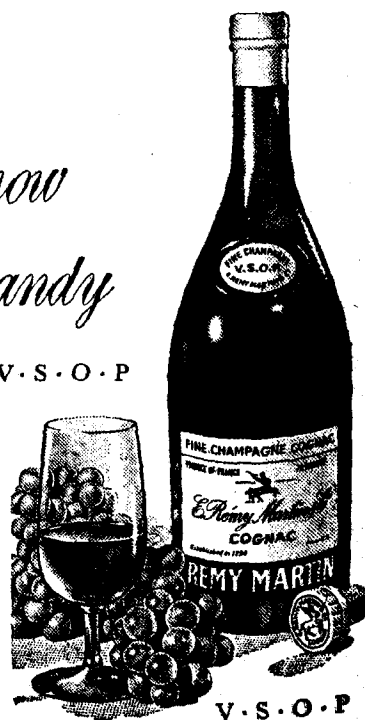
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(Single) £97
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(Single) £118

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now in the industry's order books, toolmakers had 17 months' work on hand, against thirteen months' in July, 1954.

Plus Five Per Cent

THE shade of Cecil Rhodes was evoked this week. Appropriately it was conjured up by Mr Harry Oppenheimer, the son of the chairman of the Anglo American Corporation, in speaking of Rhodesia and, more prosaically of railway wagons. The wagons are the pith of the story for they represent the first substantial investment of the Anglo American Rhodesian Development Corporation, formed last June with an authorised capital of £2 million (£500,000 paid up). The Corporation has agreed to spend £5 million on the purchase of railway wagons. The wagons will remain the property of the Corporation but will be hired out to the Rhodesian railways for 25 years. The railways can use the wagons where they wish and are responsible for maintaining them. Thus a system of hiring common in the United States has been introduced into southern Africa. For Anglo American the investment is a piece of enlightened self interest. Like every other company in the copper belt it feels the need to improve rail facilities in Rhodesia and it will earn a "small turn" from its hiring charges.

The announcement of this investment by Sir Roy Welensky, the Minister of Transport in Rhodesia, gave Mr Harry Oppenheimer the chance to set out some of the broad objectives of the development corporation. The aim, he said, was neither "charity with the shareholder's money" nor "imperialism plus five per cent" but rather the "development of a new country—plus five per cent." He listed railways, the Kariba power scheme, secondary industry and mining as projects in which the development corporation is likely to take an interest. It would not be, Mr Oppenheimer added, merely a question of withholding a shareholder's profit to finance these developments but rather to use the credit and connections of the Anglo American to facilitate the raising of new capital. He recalled the loan of £2½ million the Corporation has just floated off in Holland as a way of introducing new money into the Commonwealth on a sterling security subscribed outside the sterling area. But why bring in Cecil Rhodes? Simply because 60 years ago De Beers, of which he was then chairman, began to finance new developments in South Africa in much the same way as the new Corporation intends to do in Rhodesia. It was fruit farms then; it is railway wagons now.

Buyers Market for Timber

NEXT week European timber importers and exporters will meet in Hamburg to discuss trade problems. Continental importers have let it be known that they will use the opportunity to urge their British colleagues to delay their entry into the softwood market this year. They are openly blaming Britain for much of the rise in timber

export prices since the opening of the 1954/55 season. British importers, it is said, bought too heavily last autumn and, because Britain is the major timber importer, Continental buyers had either to follow or to forgo supplies of the better qualities. The argument overstates Britain's influence on timber prices and is highly academic since there is no trade organisation in Britain with authority to control the importers' buying schedules. But the wish that British importers should delay their buying this year may well be granted. The new season opens with the outlook entirely changed.

Whereas Britain can count on timber supplies at least as good as last year, the financial problems of the trade will almost certainly delay new buying. The shipping delays and port congestion caused by the dock strike last June and higher interest rates on working capital have both hit the trade hard. If the importers are to avoid losses, they need to charge higher prices. But consumers have been fighting increases throughout the season and are growing more tenacious in their resistance as the credit squeeze tightens its grip. Importers have good reason for being cautious about their orders for 1956.

The first of the season's log auctions, which were held in Finland and Sweden last month, reflect the uncertainty about Britain's import requirements. At last year's preliminary auctions prices rose 8 per cent above the average for the previous year. This year prices were marked down by 14 per cent compared with 1954. This does not mean that sawnwood quotations will fall by a similar amount. Higher production costs at Scandinavian sawmills will absorb much of the gain from cheaper logs. Moreover, the main exporters have sold enough this season to be able to weather a temporary setback in demand. But the buyers market does seem to be reappearing.

Growth in Assured Pensions

SINCE the war the star in the insurance firmament has been the growth of assured pension schemes—both of the staff and "top hat" variety. Statistics just published by the Life Offices' Association and the Associated Scottish Life Offices show that yet more records were established in 1954. The principal figures on the recent growth of these pension schemes and of group life assurance are shown in the accompanying table. They are not the only records reported by the life offices. The total of new sums assured, for instance, rose by nearly 17 per cent to £961 million. Showing proportionate increases, new sums assured under staff schemes amounted to £284 million and new sums assured under individual policies not connected with staff schemes came to £671 million. And ordinary life and annuity funds continued to grow at an increasing rate; last year they went up by £202 million, compared with £172 million in 1953.

Covering about 99 per cent of the business of the British offices and of the business done by Commonwealth offices in this country, these statistics are the best—indeed the only—measure of the growth of the life offices' stake in staff pension and life assurance. They show that about 2,100,000 workpeople are covered either for life assurance

or pension benefits. In the Millard Tucker report it was estimated about 6,000,000 employees were covered by non-statutory pension arrangements. Many employees are covered by private pension schemes, such as those run by the National Coal Board and by many leviathans of industry. But the growth of assured pension schemes has set the life

ASSURED PENSION SCHEMES

	Policies in Force		New Business	
	31 Dec. 1953	31 Dec. 1954	1953	1954
<i>Group Life Assurances*</i>	<i>£m.</i>	<i>£m.</i>	<i>£m.</i>	<i>£m.</i>
Sums Assured	745.1	859.7	164.0	197.4
Premiums	16.2	18.6	3.1	3.7
<i>Estimated number of lives covered (000)†</i>	<i>1,463</i>	<i>1,583</i>	<i>277</i>	<i>291</i>
<i>Group Pension Schemes:</i>				
Pensions p.a.				
(i) Active	4.5	5.3	0.4	0.4
(ii) Deferred	202.9	226.9	43.1	46.6
Premiums	55.3	63.2	10.4	11.3
<i>Estimated number of lives covered (000)†</i>	<i>1,231</i>	<i>1,323</i>	<i>223</i>	<i>222</i>
<i>Schemes by Individual Policies‡:</i>				
Sums Assured	356.0	409.0	75.1	87.0
Pensions p.a.				
(i) Active	1.1	1.2	—	—
(ii) Deferred	48.5	52.3	9.4	10.9
Annual Premiums . .	24.6	27.5	5.0	5.5
<i>Estimated number of lives covered (000)†</i>	<i>413</i>	<i>422</i>	<i>95</i>	<i>89</i>

* Including group endowment assurances.

† About 1,040,000 lives in 1953 and 1,123,000 lives in 1954 were covered under both group life assurance policies and group pension schemes. There was a similar duplication in the two sets of new business figures, amounting to 180,500 lives duplicated in 1953 and 194,000 in 1954.

‡ These figures are largely estimates.

offices new administrative and investment problems; they now have to think in terms of deferred pensions totalling over £275 million. For a few of the offices these pension schemes already overshadow conventional life assurance—once their bread and butter. And they are likely within a few years to become the salient activity of an increasing number of offices.

Hire-Purchase Questionnaire

At long last the Board of Trade's questionnaire to retailers and hire-purchase finance houses has been sent out, October being the first month on which a return is requested. It goes to 6,000 retailers and 450 hire-purchase finance houses with a letter from the President of the Board of Trade, emphasising the strict rules of secrecy that his department will apply to the individual returns. From the questions that are being asked it is possible to form an impression of the shape that British hire-purchase statistics will take when eventually they do appear.

Retailers are asked for a monthly return, each quarter consisting of two four-week and one five-week months. Department stores are asked to show the value of their hire-purchase business done, broken down into its main

commodity groups. Value is taken as the original hire-purchase price excluding down payment (i.e., excluding the deposit but including the service charge). The stores are also asked for their total turnover and for their total outstandings. The monthly figure of outstandings will not be broken down into commodity groups, but there is also to be a quarterly return which does so. Specialist shops in furniture and electrical goods are asked for a more detailed return on those commodities, and the finance houses—to avoid double counting with the retailers—are asked only for their direct collection agreements, excluding their block discounting.

Oils and Fats Mark Time

THE famous Onassis whaling fleet which sails under the Panamanian flag has been accused by the Norwegian Whaling Association of consistently breaking international regulations. The allegations include prolonging the authorised whaling season and catching undersized and protected whales. A protest was sent to the Panamanian government as early as September but it has not prevented the Onassis expedition from setting off for the new season. The other whaling expeditions will all be on their way to the Antarctic before the end of this month. Usually bargaining over the oil they will bring back next spring is in full swing by the time they leave, but this year sales have been limited by the doubt (which should be resolved by November 9th) whether the expeditions will ratify the International Whaling Committee's recommendation to reduce the blue whale catch by 3 per cent. So far only 26,000 tons have been sold—to merchants not to consumers—out of a probable 250,000 tons available on world markets next year. The Japanese have sold 11,000 tons at £86 a ton and the remainder is Dutch oil sold at £85-£85 10s. These prices compare with an average rate of £78-£79 a ton last season.

Business in the oil and oilseed market is now restricted by the uncertainty about whale oil prices and by the doubts about the size of the American cotton and soyabean crops. Philippine copra is now selling at around \$180 a ton cif Europe as against \$187 a ton a fortnight ago. But there is no sign of a big break in prices or of a return to the low levels of last spring and summer. The surplus cottonseed oil held by the Commodity Credit Corporation is near exhaustion, and with its disappearance the market is free from a bearish factor that has restrained it for nearly two years. Even if the higher estimates of the cotton and soyabean crop turn out to be correct, there is small prospect of a serious surplus this season.

When the year's balance sheet is completed the supply of oils and oilseeds is likely to be well matched with the demand. Palm oil output is down and Indonesian copra and coconut oil is only trickling to world markets. Indian groundnut oil is almost off the market until the end of the year when export quotas for the new crop will be announced. On the demand side, Russia has been a big buyer of liquid oils. Much of the Soviet requirement is obtained from China, and little Chinese oil has therefore been coming to the West.

SHORTER NOTES

The differences of opinion that appear to have existed within the broadly identical boards of Richard Thomas and Baldwins and the Steel Company of Wales (both companies are still in the hands of the Realisation Agency) have now been resolved by appointing separate directors for each company. It is stated that Steel Company will now become "a wholly Welsh enterprise with all its interests in South Wales." Sir Ernest Lever, who was formerly chairman and chief executive of both companies, is to remain chairman of Richard Thomas and Baldwins.

Last April the directors of Cunard promised to consider the question of the interim ordinary dividend in the autumn. They have now deliberated and have recommended an interim payment of 2½ per cent on a capital of £13 million. In 1954, the final payment of 7 per cent on a capital of £13 million was preceded by two interims, each of 2½ per cent, on a capital of £7,798,366. Those two interims taken together were equivalent to a payment of 3 per cent on the new capital.

Company Notes

STANDARD MOTOR. With production exceeding—by perhaps a fifth—the record figures of 1954, exceptionally high profits from the motor manufacturers publishing their reports this autumn must be expected. Profits will be high not simply because the manufacturers have been selling more vehicles but also because the greater utilisation of capacity will have reduced costs per unit of output—and widened the profit margin on each car produced. The drag on profits from increased costs of labour and materials, which the chairman of Ford Motor Company recently mentioned, is still partly in the future.

Standard is the first of the motor companies reporting in the autumn to bring out its preliminary profit statement. Profits for the year to August 31st were indeed handsome. Before all charges, the trading surplus has gone up by nearly 47 per cent—from £4,010,920 to £5,885,131. And despite much higher charges for depreciation and amortisation of tools and an increased provision for taxation, net profits have more than doubled, rising from £900,502 to £1,954,664. Those increases compare with a rise of about 35 per cent (from 72,749 to 98,647 units) in the number of cars sold and of about 15 per cent (from 61,411 to 70,909 units) in the number of tractors sold. That underlines the more than proportionate effect that an increase in output can have upon profits in this industry.

Such an upsurge in profits puts Standard among the motor companies with

high earnings yields. Earnings on the ordinary stock, after allowing for distributed profits tax, come to about 50 per cent. But the ordinary dividend is far from handsome. It has been left unchanged, for the fifth year running, at 12 per cent. The 5s. shares immediately and understandably lost 6d., to 9s. 4½d., offering a yield of 6.4 per cent. There are always reasons for conservatism. Standard Motor has to spend money on capital account, though not on the scale of some of its competitors. The profit it

Consolidated earnings:—	Years to Aug. 31,	
	1954	1955
Trading profit	4,010,920	5,885,131
Depreciation	1,041,021	1,337,003
Amortisation	582,955	1,034,101
Taxation	1,364,000	1,485,000
Net profit	900,502	1,954,664
Ordinary dividends . . .	338,415	353,798
Employees' fund	135,000	135,000
Retained by subsidiaries	14,243	20,620
Retained by parent co.	347,728	1,377,046

gains from the sale of each of its motor cars is smaller than that of most of its rivals. Of the "Big Five" it is, perhaps, the most vulnerable in keenly competitive markets and the one that would find it hardest to raise money in a difficult capital market; tractor production offers some though not complete protection. This decision seems to be taking conservative dividend policy to an extreme, but it is a warning that should be noted by investors. There will be other disappointing dividend decisions based on high profits in the coming months.

Britain's Terms of Trade were unchanged in September. Import prices held steady, a rise in the cost of manufactures being offset by a fall in the food and beverages group. Prices of British exports rose slightly; metal goods, engineering products and textiles all moving upwards, but the advance was insufficient to move the index (which is the ratio between import and export prices). It remained unchanged at 100 (on the basis 1954 equals 100).

The directors of Hoover are not going ahead with the capital reorganisation scheme as sufficient opposition has been received from the "A" ordinary shareholders to prevent the plan from being carried into effect. They are to consult the larger holders of the ordinary and "A" ordinary shares with a view to putting forward without delay a modified scheme.

With this week's announcement that Eagle Oil have placed a £12 million order for seven new tankers totalling 182,000 tons deadweight, the new tonnage ordered by British tanker operators since July has risen to 3 million tons dw. This last order has gone entirely to British yards, which have now received about three-fifths of the present programme of orders.

ANGLO-ECUADORIAN OIL-FIELDS. A battle of bids for the control of Anglo-Ecuadorian Oilfields has flared up between the British company Lobitos Oilfields, and an American company, South American Gold and Platinum. The intriguing twist is that exactly the same directors serve on the board of Anglo-Ecuadorian as on that of Lobitos. The association between the two companies has always been close. Lobitos owns £94,500 of the ordinary stock of Anglo-Ecuadorian; that is about 6.3 per cent of the issued capital of £1,500,000. In the last few months South American Gold and Platinum has bought 159,360 of the ordinary shares of Anglo-Ecuadorian, giving it an interest of over 10 per cent. Courted by both sides the other stockholders have seen the price of their holdings go up from 51s. to 58s. 3d. within three days.

South American Gold and Platinum opened the engagement in September by offering 50s. a share (in dollars or the equivalent in its own securities) for the ordinary shares. The bid was for "a minimum of 51 per cent" of the capital and was "conditional upon a detailed examination" of the Anglo-Ecuadorian's properties and accounts. Lobitos countered last weekend with an offer that was equivalent at the prices then ruling to 60s. a share for all the outstanding capital. That was the price set by independent advisers and endorsed by J. Henry Schröder and Company as being fair to shareholders in both companies. The offer was not in cash. Lobitos, instead, offered four 5s. ordinary units in Lobitos plus 10s. in cash for every £1 ordinary unit in Anglo-Ecuadorian. At prices now ruling that offer is equivalent

to about 60s. 6d. a share. South American Gold and Platinum was not slow in returning the fire. Its directors have stated that they are considering offering a higher price for the shares and will present a new offer in a few days.

Everything now turns upon the new American offer. Lobitos, having set a "fair price" of 60s., cannot very well raise its bid. But it does offer a continuing though indirect interest in the company to shareholders in Anglo-Ecuadorian—to say nothing of a forecast dividend of at least 14 per cent from Lobitos (as in 1954) plus a tax free 2 per cent distribution out of realised profits on investments. Lobitos has a trump card in that its offer runs out on October 31st. Thus with another bid in the wind it might be to the advantage of Anglo-Ecuadorian to ask for more time, but it would hardly suit Lobitos. But, then, the two boards are composed of exactly the same directors.

Why has Anglo-Ecuadorian suddenly become so attractive? The first reason is that new arrangements have been agreed between the Government of Ecuador and the company, extending the concessions until 1977 with an option to extend for another 10 years. (That such discussions have been going on has been common knowledge for some time.) Under the contract the company will have to build a new refinery by mid-1958 but prices will be fixed to ensure "a reasonable profit on the investment." Secondly, in anticipation of the new contract Anglo-Ecuadorian secured permission from the Treasury to transfer control for British taxation purposes to Ecuador. That transfer will result in "a substantial saving" in taxes. With that bait it is little wonder that Lobitos is fighting back.

WILLIAM WHITELEY. This department store, which prides itself on its title "the universal providers," has an unlucky history. In the hands of the late Mr Gordon Selfridge it was an expensive venture for its former parent Selfridges. Now long since separated from that control it has another bout of troubles following the death of its more recent chairman Colonel G. S. Brighten. In the year to March 31st it made a loss of £242,106, after taking credit for £9,045 for tax over-provided in previous years; in the fourteen months to March 31, 1954, it reported a loss of £30,307, after writing back non-recurring credits of £35,342.

The directors attribute the loss to:

- The need to provide over £100,000 for bad and doubtful debts owing to a lack of efficiency in the counting house;
- The floor space available and attendant overhead expenses being out of proportion to the store's present turnover;
- The inadequate revenue from outside properties.

The directors are taking "active steps" to overhaul the internal organisation and trading of the company. They have let at "satisfactory rentals" about 60 per cent of 4½ acres of the company's property at Avonmore Road, London, W.14, which previously provided no income at all. They have arranged to sell some of the property, "surplus to the company's requirements," at Queensway, London, W.2. The statement of the new chairman, Sir Harold Gillett, will be awaited with interest, not merely because he will refer to these new steps but also because he is to refer to changes in the directorate following the death of Colonel Brighten.

LONDON STOCK EXCHANGE

Next Account begins: November 2nd
Next Contango Day: November 2nd
Next Settlement Day: October 25th

The week in the stock market was divided into two distinct phases: before and after the announcement of an autumn Budget. Before that announcement gilt-edged prices began their rally on Tuesday afternoon. They spurred ahead on Thursday.

Before the announcement of the Budget, bear covering and renewed investment buying imparted a firm tone to the market in industrial shares. Building shares temporarily shook off fears of a curtailment of government spending and advanced strongly. John Laing gained 1½ to 4½ and George Wimpey reached 5½. In dealing on the last day for acceptance of the English Electric rights issue the premium was at one stage eliminated before fresh support subsequently strengthened both the old and the new. Planned expansion in Canada attracted the attention of American and Canadian investors to British Aluminium in which dealings took place at 50s. 3d. in a good market. Unilever recovered to 89s. 3d. on Wednesday and renewed interest in J. Bibby brought the price up to 68s. 9d. Following the defeat of the plan for reorganising Hoover's capital the "A" shares rose to 48s. before receding to 46s. 3d. Hire-purchase shares were firm early in the week in spite of the Board of Trade circular inquiring into credit transactions but came down on Thursday. After the announcement of the Budget, prices of almost all the leading equities came tumbling down. The biggest occurred in those shares, such as building and electrical equipment, which had led the earlier rally.

Kaffirs again weakened after disappointment with Freddie's Consolidated quarterly reports but hardened late on Wednesday. Higher prices for lead and zinc revived buying of Australian producers, Consolidated Zinc and North Broken Hill both showing small gains. Coppers were firm.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Oct. 12....	185.1	102.03	4.21	5.25
" 13....	188.0	102.41	4.24	5.17
" 14....	188.2	102.21	4.26	5.17
" 17....	189.2	102.06	4.30	5.14
" 18....	189.5	102.10	4.30	5.13
" 19....	189.4	102.57	4.26	5.14
1955, High.	223.9	115.97		
(July 21)		(Jan. 7)		
" Low..	175.7	98.23		
(Mar. 15)		(Sept. 2)		
1954, High.	184.0	118.10		
(Dec. 31)		(Nov. 18)		
" Low..	131.1	111.78		
(Jan. 1)		(Jan. 5)		
		Total bargains		
		1955		
		Oct. 12	9,393	
		" 13	9,785	
		" 14	9,223	
		" 17	10,337	
		" 18	8,768	
		" 19	8,035	

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Oct. 19		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Oct. 12, 1955	Price, Oct. 19, 1955	Yield, Oct. 19, 1955	Gross Yield, Oct. 19, 1955	Prices, 1955 Jan. 1 to Oct. 19		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Oct. 12, 1955	Price, Oct. 19, 1955	Yield, Oct. 19, 1955
High	Low							High	Low						
100 1/2	96 1/2	Funding 2 1/2% '52-57		97 1/2	97 1/2	2 1/2	2 1/2	46/6	34/8 1/2	17 1/2	STEEL & ENGINEERING				
100 1/2	97 1/2	War Bonds 2 1/2% '54-56		98 1/2	98 1/2	2 1/2	2 1/2	13/10 1/2	10/-	10 1/2	4 a B.S.A. £1		35/-	35/6	4 18 7 1/2
100 1/2	97 1/2	War Loan 3% '55-59		98 1/2	98 1/2	2 1/2	2 1/2	39/3	27/-	10 1/2	3 a Canumell Laird 5/-		11/6	12/6	5 12 0
100 1/2	97 1/2	Serial Funding 3% 1955		100 0 1/2	100 0 1/2	3 0	3 0	36/7 1/2	23/-	10 1/2	3 a Colvilles £1		31/6	33/3	5 8 3 0
99 1/2	99 1/2	Conversion 4% '57-58		99 1/2	99 1/2	2 1/2	2 1/2	54/-	31/2 1/2	5 a	8 c Dorman Long £1		29/9	31/3	5 2 5
99 1/2	99 1/2	Serial Funding 2 1/2% 1957		96 1/2	96 1/2	3 5	3 5	79/9	42/-	12 1/2	15 b Guest Keen N'fold £1		42/6	46/3	4 6 6 m
99 1/2	99 1/2	Conv. 2% 1958-59		93 1/2	93 1/2	3 7 1/2	3 7 1/2	47/-	27/6	6 1/2	5 a Stewarts & Lloyds £1		64/3	67/6	3 14 1
100 1/2	99 1/2	Exchequer 2% 1960		90 1/2	90 1/2	3 8	3 8	50/-	28/6	6 b	4 a Summers (John) £1		35/9	37/6	5 6 8 m
100 1/2	99 1/2	Savings Bonds 3% '55-65		88 1/2	88 1/2	4 9	4 9	30/4 1/2	19/6	6 b	4 a United Steel £1		40/3	43/-	4 13 0
100 1/2	99 1/2	Funding 2 1/2% '56-61		91 1/2	91 1/2	3 5	3 5	23/9	24/9	3 a	2 1/2 a Vickers £1		34/6	38/-	4 9 6
100 1/2	99 1/2	Funding 3% '59-69		91 1/2	91 1/2	4 5	4 5	35/-	35/-	4 a	TEXTILES				
100 1/2	99 1/2	Funding 4% '60-90		83 1/2	83 1/2	3 4	3 4	34/1 1/2	24/6	7 1/2	4 a Bradford Dyers £1		20/-	20/-	10 0 0
102 1/2	87 1/2	Savings Bonds 3% '60-70		93 1/2	93 1/2	2 15	2 15	36/0 1/2	28/-	2 1/2	7 b Brit. Celanese £1		25/3	25/3	7 18 5
99 1/2	82 1/2	Exchequer 2 1/2% '63-64		87 1/2	87 1/2	3 6	3 6	22/11 1/2	17/4 1/2	6 1/2	6 1/2 b Coats (J. & P.) £1		24/-	24/6	7 2 10
95 1/2	82 1/2	Savings Bonds 2 1/2% '65-75		81 1/2	81 1/2	3 0	3 0	27/10 1/2	21/3	7 1/2	4 a Courtaulds £1		41/-	43/6	4 11 11
94 1/2	71 1/2	Victory 4% '20-76		96 1/2	96 1/2	2 15	2 15	60/-	37/-	15 c	5 a Lancs. Cotton £1		25/3	26/3	9 10 0
105 1/2	98 1/2	Funding 3% '66-68		85 1/2	85 1/2	3 0	3 0	50/9	43/1 1/2	7 1/2	10 b Patons & Baldwins £1		30/9	30/6	8 3 11
103 1/2	83 1/2	Treas. 3 1/2% 1969		89 1/2	89 1/2	2 17	2 17	133/1 1/2	71/3	12 c	MOTOR & AIRCRAFT				
99 1/2	80 1/2	Treas. 3 1/2% '77-80		85 1/2	85 1/2	2 16	2 16	12/3 1/2	6/10 1/2	12 c	3 1/2 a Bristol Aeroplane 10/-		18/9	19/3	5 3 11
98 1/2	80 1/2	Treas. 3 1/2% '79-81		85 1/2	85 1/2	2 16	2 16	12/3 1/2	6/10 1/2	12 c	4 a British Motor 5/-		10/-	10/3	6 1 11
98 1/2	80 1/2	Redemption 3% '86-96		75 1/2	75 1/2	2 15	2 15	4 6 1 1/2	21/7 1/2	12/6	Nil c De Havilland £1		21/9	22/-	Nil
97 1/2	82 1/2	Funding 3 1/2% 1999-Feb. '57		88 1/2	88 1/2	2 12	2 12	4 11 8 1/2	36/9	7 1/2	2 1/2 a Ford Motor £1		43/9	44/4 1/2	3 7 9 1/2
88 1/2	74 1/2	War L'n. 3 1/2% aft. Dec. '52		78 1/2	78 1/2	2 11	2 11	62/6	47/6	15 c	5 a Hawker Siddeley £1		46/6	49/9	5 0 6
89 1/2	72 1/2	Conv. 3 1/2% aft. April '61		78 1/2	78 1/2	2 10	2 10	51/4	33/6	25 c	30 c Leyland Motors £1		38/9	40/-	5 0 0 m
78 1/2	63 1/2	Treas. 3% aft. April '66		59 1/2	59 1/2	2 9	2 9	76/-	58/6	15 a	12 1/2 b Rolls Royce £1		103/9	106/3	3 5 11
66 1/2	54 1/2	Consols 2 1/2%		57 1/2	57 1/2	2 9	2 9	71/9	55/-	36 1/2	5 a Standard Motor 5/-		9/3	9/6	6 6 4
99 1/2	97 1/2	Treas. 2 1/2% aft. April '75		58 1/2	58 1/2	2 14	2 14	12 11 1/2	139/-	5 a	SHOPS & STORES				
94 1/2	75 1/2	Br. Elec. 4 1/2% '67-69		81 1/2	81 1/2	3 2	3 2	11 0 1/2	50/-	7 1/2	3 a Boots Pure Drug 5/-		17/6	18/-	3 16 4 1/2
93 1/2	75 1/2	Br. Elec. 3 1/2% '68-73		80 1/2	80 1/2	2 19	2 19	93/5 1/2	46/6	5 a	20 b Debenhams 10/-		38/9	41/3	6 13 4
109 1/2	90 1/2	Br. Elec. 3 1/2% '74-77		95 1/2	95 1/2	2 14	2 14	12 10 1/2	55/9	109/9	45 b Gt. Universal 5/-		43/-	43/6	6 17 11
105 1/2	80 1/2	Br. Elec. 3 1/2% '76-79		84 1/2	84 1/2	2 17	2 17	4 13 6 1/2	44/6	15 1/2	5 a 17 1/2 b Lyons (J.) 'A' £1		96/3	97/6	4 12 4
102 1/2	88 1/2	Br. Gas 4 1/2% '69-72		92 1/2	92 1/2	2 19	2 19	4 12 5 1/2	37/3	25/6	30 b Marks & Spenc. 'A' 5/-		64/6	64/6	3 9 9
88 1/2	82 1/2	Br. Gas 3 1/2% '69-71		88 1/2	88 1/2	2 15	2 15	4 11 0 1/2	38/6	27/6	20 a Woolworth 5/-		58/3	57/9	4 6 7 1/2
94 1/2	71 1/2	Br. Gas 3 1/2% '90-95		75 1/2	75 1/2	3 2	3 2	11 0 1/2	139/-	5 a	ON				
105 1/2	76 1/2	Br. Trans. 3 1/2% '68-73		81 1/2	81 1/2	2 15	2 15	4 12 8 1/2	48/6	12 c	14 b British Petroleum £1		100/-	101/3	2 19 3 1/2
88 1/2	70 1/2	Br. Trans. 4 1/2% '72-77		92 1/2	92 1/2	2 15	2 15	4 12 8 1/2	48/6	12 c	13 1/2 b Burmah £1		68/9	70/-	3 0 0 1/2
88 1/2	70 1/2	Br. Trans. 3 1/2% '78-88		76 1/2	76 1/2	2 17	2 17	4 8 4 1/2	37/6	27/6	10 b Royal Dutch 100 fl.		455	456	2 13 11

(e) To earliest date. (f) Flat Yield. (g) To latest date. * Ex dividend.
† Assumed average life approx. 12 years. ‡ Less tax at 8s. 6d. in £.

Prices, 1954		Prices, 1955 Jan. 1 to Oct. 19		TRUSTEE STOCKS AND FOREIGN BONDS	Price, Oct. 12, 1955	Price, Oct. 19, 1955	Yield, Oct. 19, 1955
High	Low	High	Low				
97 1/2	90 1/2	94 1/2	79	Aust. 3 1/2% '65-69	83 1/2	83 1/2	4 18
101 1/2	97 1/2	101 1/2	87	Ceylon 4% '73-75	89 1/2	89 1/2	4 16 1/2
106 1/2	98 1/2	103 1/2	87 1/2	N. Zealand 4% '76-78	92 1/2	92 1/2	4 12
79 1/2	71 1/2	75 1/2	61	L.C.C. 3% aft. 1920	66 1/2	66 1/2	4 10
99 1/2	95	99 1/2	83	M. W. R. 'B' 3% '54-64	85 1/2	85 1/2	5 1
87 1/2	80 1/2	84	65	Liverpool 3% '34-2003	70 1/2	70 1/2	4 12
104 1/2	100 1/2	102 1/2	94 1/2	M. W. R. 'B' 3% '59-89	99 1/2	99 1/2	5 0
109 1/2	101 1/2	122 1/2	91	Agric. Mort. 5% '59-89	108 1/2	107 1/2	...
168 1/2	102 1/2	213	149	German 7%	192 1/2	190 1/2	...
171 1/2	132 1/2	211	160	German 5 1/2%	207 1/2	208	...
198 1/2	167	254	190	Japan 5% 1907	207 1/2		...
				Japan 5 1/2% Conv. 1930	246	246	...

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Oct. 1st	Western Europe	Oct. 1st
Production and Consumption	Oct. 8th	Production and Trade.....	Oct. 8th
Manpower.....	This week	British Commonwealth	Oct. 8th
External Trade.....	Sept. 24th	Western Europe	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Oct. 15th	United States	Sept. 24th
		World Trade.....	Oct. 15th

Manpower in Great Britain

	Unit	Monthly averages			1954			1955			
		1932	1953	1954	July	Aug.	Sept.	June	July	Aug.	Sept.
TOTAL MANPOWER ⁽¹⁾											
Working population :											
Total	'000s	23,294	23,373	23,667	23,717	23,824	23,836	23,875	23,916	24,009	...
Men	"	15,864	15,883	15,974	15,989	16,041	16,039	16,064	16,077	16,130	...
Women	"	7,430	7,490	7,693	7,728	7,783	7,797	7,811	7,839	7,879	...
Armed Forces	"	872	865	839	835	836	836	803	798	793	...
Civil employment :											
Total	"	22,119	22,238	22,604	22,657	22,753	22,753	22,896	22,938	23,028	...
Agriculture, forestry and fishing	"	1,112	1,087	1,074	1,084	1,095	1,079	1,052	1,062	1,067	...
Mining and quarrying	"	875	877	867	866	866	865	864	862	862	...
Building and contracting	"	1,435	1,437	1,453	1,456	1,456	1,456	1,466	1,468	1,482	...
Distributive trades	"	2,616	2,664	2,743	2,752	2,769	2,765	2,793	2,802	2,819	...
Public administration	"	1,356	1,320	1,326	1,323	1,320	1,320	1,315	1,315	1,315	...
Manufacturing industries	"	8,626	8,746	8,976	8,995	9,059	9,105	9,222	9,228	9,273	...
CHANGES IN EMPLOYMENT ⁽¹⁾											
Increase or decrease since June, 1950 :											
Employees in engineering ⁽²⁾	"	+ 212	+ 213	+ 338	+ 339	+ 373	+ 401	+ 536	+ 530	...	...
" " consumer goods industries ⁽²⁾	"	- 126	- 8	+ 59	+ 73	+ 91	+ 99	+ 60	+ 72	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	"	414.2	342.0	284.8	220.1	239.6	236.0	210.5	184.9	199.7	202.1
" " —men	"	227.8	218.2	184.4	143.6	156.6	149.1	130.3	116.7	124.8	124.1
" " —women	"	186.4	123.8	100.4	76.5	83.0	86.9	80.2	68.2	74.9	77.9
Temporary or under 2 weeks—men	"	87.8	68.7	58.0	44.0	50.3	51.7	49.7	39.5	45.9	49.1
" " —women	"	94.7	43.9	36.4	28.2	33.7	38.5	38.7	30.0	37.8	41.1
Over 8 weeks—men	"	85.9	96.7	81.7	70.2	68.8	62.7	55.4	54.0	51.7	48.1
" " —women	"	50.2	46.3	37.1	31.2	27.2	24.6	25.2	23.9	20.5	18.1
By industry ⁽³⁾ :											
Textiles	%	8.6	1.4	0.9	0.9	0.8	0.9	2.3	2.0	2.0	2.0
Clothing	"	2.9	1.3	1.3	1.3	1.2	1.1	1.2	1.0	0.9	0.9
Vehicles	"	0.7	0.8	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.3
Engineering, etc.	"	1.4	1.4	1.1	0.9	0.9	0.9	0.8	0.6	0.6	0.6
Coal-mining	"	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1
Distributive trades	"	1.5	1.5	1.3	1.0	1.0	1.0	0.8	0.7	0.8	0.8
By regions ⁽⁴⁾ :											
Great Britain	"	2.0	1.6	1.3	1.0	1.1	1.1	1.0	0.9	0.9	0.9
London and South Eastern	"	1.3	1.2	1.0	0.7	0.7	0.7	0.6	0.5	0.5	0.5
Eastern	"	1.3	1.3	1.2	0.8	0.9	0.9	0.7	0.6	0.7	0.7
Southern	"	1.4	1.4	1.1	0.8	0.8	0.8	0.7	0.6	0.7	0.7
South Western	"	1.5	1.6	1.5	0.9	1.1	1.1	0.9	0.8	0.8	0.8
Midland	"	0.9	1.1	0.6	0.5	0.6	0.6	0.5	0.4	0.5	0.5
North Midland	"	1.0	0.7	0.6	0.5	0.5	0.5	0.5	0.4	0.5	0.5
East and West Ridings	"	1.9	1.2	0.9	0.7	0.8	0.8	0.7	0.6	0.7	0.7
North Western	"	3.6	2.1	1.5	1.2	1.4	1.3	1.4	1.3	1.3	1.3
Northern	"	2.6	2.4	2.2	1.8	2.0	1.9	1.6	1.3	1.5	1.4
Scotland	"	3.3	3.1	2.8	2.3	2.4	2.4	2.2	2.1	2.0	2.0
Wales	"	2.9	3.0	2.5	2.1	2.1	2.1	1.6	1.4	1.6	1.4
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :											
Total	'000s	230	270	338	383	356	348	460	473	...	...
Men	"	131	147	191	208	198	195	255	262	...	...
Women	"	99	123	147	175	158	153	205	211	...	...
DISPUTES ⁽⁵⁾											
Workers involved	"	35	114	37	15	22	35	33	16	30	...
Working days lost :											
Total	"	149	182	205	80	67	123	1,332	89	78	...
Mining and quarrying	"	55	33	39	9	26	46	17	29	33	...
Engineering, etc.	"	66	127	62	48	7	68	5	4	32	...
Other industries and services	"	28	22	104	23	34	9	1,310	56	13	...

(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	25	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	105	134	152	110	194	126	97	136	154	139	117
1955, April	258	107	138	151	112	200	...	98	136	153	143	121
" May	255	107	138	153	112	205	...	98	136	154	143	125
" June	262	108	137	149	112	207	...	96	136	154	144	126
" July	264	107	138	150	112	...	...	97	136	156	146	...
" August	266	...	137	151	...	209	...	...	...	156	145	...

COST OF LIVING⁽¹⁾ (1948 = 100)												
1938	31	27	60	6	64	0.4	55	2	49	63	65	29
1953	205	106	123	144	108	160	126	117	131	136	130	113
1954	213	107	124	143	108	184	126	120	137	142	131	123
1955, April	211	105	129	145	109	191	...	122	138	142	133	127
" May	206	105	...	146	109	194	128	124	139	143	133	128
" June	212	105	...	145	109	196	...	124	140	143	133	128
" July	214	106	132	143	111	...	...	...	...	144	135	...
" August	...	107	...	143	...	196	...	...	...	...	...	...

IMPORT PRICES⁽²⁾ (1948 = 100)												
1938	27	27	40	7	39	...	39	2	24	32	45	21
1953	270	119	119	168	106	...	121	102	117	125	139	89
1954	258	114	115	166	102	...	122	101	111	122	139	92
1955, March	252	114	117	161	104	...	128	103	113	127	139	80
" April	261	113	...	163	105	...	129	103	113	127	139	...
" May	256	115	115	163	105	...	128	102	115	121	139	...
" June	252	114	...	...	107	...	129	...	114	129	...	...
" July	251	...	...	...	107	...	129	...	...	128	...	...

EXPORT PRICES⁽²⁾ (1948 = 100)												
1938	33	25	40	6	51	...	37	2	25	32	42	24
1953	239	105	110	147	123	...	127	97	104	119	132	110
1954	237	99	109	140	118	...	125	101	99	118	130	107
1955, March	240	100	109	136	120	...	130	100	100	121	134	122
" April	247	101	...	...	118	...	130	100	98	125	...	...
" May	246	103	107	142	119	...	132	117	97	127	133	120
" June	246	102	...	...	120	...	132	...	97	124	...	...
" July	241	...	...	...	121	...	129	...	...	133	...	...

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	...	...	...	19	1,048	455	1.04	21
1953	10.25	105.9	2,032	2,310	11.98	3,503	54.67	1,424	3,440	3,002	4.90	1,46
1954	11.98	106.7	2,054	2,551	12.78	3.47 ^a	46.87	1,533	3,728	3,191	5.16	1,52
1955, March	11.76	107.6	1,939	2,584	12.88	3.77	52.67	1,434	3,705	3,033	4.84	1,62
" April	11.89	108.1	1,921	2,579	13.10	4.04	57.17	1,422	3,796	3,011	4.94	1,66
" May	11.92	107.9	1,893	2,572	13.02	3.87	56.17	1,420	3,802	2,951	4.84	1,65
" June	12.25	108.6	...	2,630	13.17	3.89	52.87	1,428	...	3,062	4.98	1,68
" July	12.51	...	...	...	...	3.97	55.9	1,508	...	2,998	4.81	...

Financial Statistics

EXCHEQUER RETURNS

For the week ended October 15th there was an "above-line" deficit (after allowing for Sinking Funds) of £38,248,000 compared with a deficit of £7,816,000 in the previous eight days and a deficit of £32,213,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £4,491,000, bringing the total cumulative deficit to £601,716,000 (£470,467,000 in 1954-55).

£'000	Estimate, 1955-56	April 1, 1954 to Oct. 16, 1954	April 1, 1955 to Oct. 15, 1955	Week ended Oct. 16, 1954	Week ended Oct. 15, 1955
Ord. Revenue					
Income Tax	1877,400	495,202	505,649	12,754	13,537
Sur-tax	136,000	34,700	31,100	1,000	1,000
Death Duties	185,000	99,500	98,000	3,100	3,000
Stamps	74,000	38,070	40,100	1,200	1,300
Profits Tax & F.P.T.	180,000	95,600	107,000	3,900	3,800
Excess Profits Levy	25,000	48,500	13,600	900	300
Special Contribution and other Inland Revenue	1,000	680	300	...	...
Total Inland Rev.	2478,400	812,232	795,749	22,854	22,937
Customs	1131,700	608,523	620,025	24,913	22,703
Excise	796,050	383,435	421,580	5,845	5,555
Total Customs and Excise	1927,750	991,958	1041,605	30,758	28,258
Motor Duties	80,000	16,046	18,863	651	968
PO (Net Receipts)	25,000	7,450	9,100	...	...
Broadcast Licences	24,000	19,744	22,713	50	60
Sundry Loans	175,000	79,390	71,350	3,778	4,863
Miscellaneous	...	...	...	...	...
Total	4710,150	1926,840	1959,385	58,091	57,086
Ord. Expenditure					
Debt Interest	600,000	319,132	351,925	22,163	22,627
Payments to M. Ireland Exchequer	53,000	24,394	28,250	...	...
Other Cons. Fund.	10,000	4,451	5,659	...	14
Supply Services	3862,875	1815,428	1819,341	67,800	71,850
Total	4525,875	2163,405	2205,175	89,964	94,491
Sinking Funds	36,000	18,550	18,840	340	842
"Above-line" Surplus or Deficit		255,115	264,631	32,213	38,248
"Below-line" Net Expenditure		215,352	337,085	4,714	4,491
Total Surplus or Deficit		470,467	601,716	38,927	42,739
Net Receipts from:					
Tax Reserve Certificates	203,580	92,070	1,273	1,609	
Savings Certificates	6,700	11,900	600	200	
Debt Bonds	7,963	13,964	885	3406	

THE MONEY MARKET

CREDIT was in heavy demand in Lombard Street on Thursday before the weekend on account of the cash applications for the new loan; but the Bank of England gave large special help, through purchases of bills both directly from the market and indirectly through the banks. The proceeds of the loan permitted a sharp fall in the allotment of Treasury bills at the tender on the following day—to £230 million, £30 million less than both the original offer and the matching maturities.

The market again maintained its bid at £98 19s. 8d. per cent at last week's tender, and as total applications rose by £2 million to £363.8 million, the fall of £40 million in the allotment resulted in a sharp decline in the market's "proportion," from 66 to 51 per cent.

Conditions in Lombard Street over the week-end and on Monday were more comfortable than of late; but on Tuesday stringency returned, whilst on the following day three or four houses were obliged to take small loans at the penal rate. The Bank gave no special aid.

Sterling has regained the slight losses suffered before the week-end; by Wednesday the spot rate had recovered to \$2.79½. But the discount on sterling three months forward was slightly larger, at 1½-1½ cents; and as the Treasury bill rate in New York rose further this week, from 2½ to 2½ per cent, the margin in favour of London in covered arbitrage has now disappeared.

LONDON MONEY RATES

Bank rate (from 31% 24/2/55)	%	Discount rates	%
Bank bills: 60 days	4½	Bank bills: 60 days	4½
Deposit rates (max)		3 months	4½
Banks	2½	4 months	4½
Discount houses	2½	6 months	4½
Money Day-to-day	2½	Fine trade bills:	
Short periods	2½	3 months	5-5½
Treas. bills 2 months	4½	4 months	5-5½
3 months	4½	6 months	5½

* Call money.

BANK OF ENGLAND RETURNS

(£ million)

	1954	1955
	Oct. 20	Oct. 12
Issue Department:		
Notes in circulation	1,638.1	1,758.0
Notes in banking dept.	39.3	32.4
Govt. debt and securities	1,671.3	1,795.2
Other securities	0.7	0.8
Gold coin and bullion	0.4	0.4
Coin other than gold coin	3.0	3.0
Banking Department:		
Deposits:		
Public accounts	9.5	15.4
Treasury special account	6.3	2.6
Bankers	294.7	257.9
Others	67.0	65.9
Total	377.5	341.8
Securities:		
Government	334.4	280.8
Discounts and advances	4.7	27.3
Other	14.5	18.6
Total	353.6	326.7
Banking department reserve	11.8	34.8
"Proportion"	11.0	10.1

* Government debt is £1,015,100, capital £14,553,000. Fiduciary issue reduced to £1,800 million from £1,825 million on September 7th, 1955.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Max. Rate %
	Offered	Applied for	Allotted		
1954					
Oct. 15	270.0	429.1	270.0	31 11-18	49
1955					
July 15	260.0	383.4	260.0	79 4-88	55
" 22	240.0	361.4	240.0	79 4-98	58
" 29	240.0	344.2	240.0	79 5-08	60
Aug. 5	240.0	350.8	240.0	80 0-42	58
" 12	240.0	350.4	240.0	80 1-13	58
" 19	270.0	380.1	270.0	80 1-28	62
" 26	280.0	368.4	280.0	80 1-10	61
Sept. 2	290.0	362.9	290.0	81 3-78	70
" 9	300.0	381.1	290.0	81 4-67	64
" 16	290.0	344.8	290.0	81 5-52	80
" 23	280.0	363.7	280.0	81 5-14	63
" 30	280.0	359.4	280.0	81 5-33	70
Oct. 7	270.0	361.4	270.0	81 5-25	68
" 14	260.0	365.8	230.0	81 4-99	51

* On Oct. 14th tenders for 91 day bills at £98 19s. 8d. secured about 91 per cent of the sum applied for; higher tenders were allotted in full. The offering yesterday was for a maximum amount of £240 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot						
	October 19	October 13	October 14	October 15	October 17	October 18	October 19	
United States \$.	2.78-2.82	2.79½-2.79½	2.79-2.79½	2.79-2.79½	2.79-2.79½	2.79½-2.79½	2.79½-2.79½	
Canadian \$	972.65-987.35	972.71½-2.77½	983-983½	982½-983½	982½-983½	982½-983½	982½-983½	
French Fr.	12.15-12.33½	12.20½-12.21½	12.20½-12.20½	12.20½-12.20½	12.20½-12.20½	12.21-12.21½	12.20½-12.21	
Swiss Fr.	138-95	139-40	139-40	139-37½	139-35	139-40	139-35	
Belgian Fr.	141-05	139-45	139-45	139-42½	139-40	139-45	139-45	
Dutch Gld.	10.56-10.72	10.60½-10.60½	10.60½-10.60½	10.59½-10.60	10.59½-10.60	10.60½-10.60½	10.60-10.60½	
W. Ger. D-Mk.	11.67½-11.84½	11.72-11.72½	11.71½-11.71½	11.71½-11.71½	11.71½-11.71½	11.72-11.72½	11.72-11.72½	
Portuguese Esc.	79.90-81.10	80.00-80.15	80.00-80.15	80.00-80.15	80.00-80.15	80.00-80.15	80.00-80.15	
Italian Lire	17368-17624	1754-1755	1754-1755	1753½-1754½	1754-1755	1754-1755	1754-1755	
Swedish Kr.	14.378-14.591	14.421-14.421	14.42-14.421	14.41½-14.41½	14.41½-14.41½	14.42-14.42½	14.41½-14.42½	
Danish Kr.	19.191-19.481	19.321-19.321	19.321-19.321	19.321-19.321	19.321-19.321	19.321-19.321	19.321-19.321	
Norwegian Kr.	19.85-20.15	19.991-20.00	19.991-20.00	19.991-20.00	19.991-20.00	19.991-20.00	19.991-20.00	
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	
Canadian \$	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	1-1c. pm	
French Fr.	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	1 pm-1 dis	
Swiss Fr.	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	
Belgian Fr.	1-1 pm	1-1 pm	1-1 pm	1-1 pm	1-1 pm	1-1 pm	1-1 pm	
Dutch Gld.	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	2½-2c. pm	
W. Ger. D-Mk.	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	2½-1½c. pm	
Italian Lire	5 par	5 par	5 par	5 par	5 par	5 par	5 par	
Swedish Kr.	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	
Danish Kr.	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	
Norwegian Kr.	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	15 pm-15 dis	
Gold Price at Fixing								
Price (s. d. per fine oz.)	250/7½	250/7½	...	250/8	250/7½	250/8	250/8	

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DIDIER-WERKE AG

WIESBADEN, GERMANY

(Manufacturers of Refractory Materials)

FIRST PHASE OF POST-WAR RECONSTRUCTION SUCCESSFULLY CONCLUDED

MR E. BIENECK'S REVIEW

The annual general meeting of Didier-Werke AG was held in Wiesbaden on July 30th.

Mr E. Bieneck, Managing Director, in his statement emphasised that Didier-Werke AG occupies a special position as the only large undertaking of its kind in Western Europe, and in consequence is obliged to conduct its publicity on definite lines.

"In this statement I shall confine myself to dealing with certain specific points of importance for the future, and to examine more closely a number of questions that could only be touched upon hitherto.

DIDIER IN 1954

The year behind us has been rather eventful. In its violent fluctuations between boom and slump, it has enabled us to discern clearly not only the strength we have regained but also our remaining weak points.

During the months of recession which, starting in 1953, continued into the second half of last year, our production and distribution organisation had to prove itself. Thanks to a wise long-term investment policy we were in a position to make full use of the advantages conferred upon us by the favourable location of our plants. This shows that the first phase of post-war reconstruction may be considered as successfully concluded.

On the other hand, the year showed us the limits set to us by circumstances largely beyond our control:

(1) We are facing increasing difficulties in the export field;

(2) We continue to suffer from the disadvantages imposed on us by the lack of balance, since 1945, in the structure of the undertaking.

Within the administration the term 'Didier Rump' has been coined in referring to these latter difficulties.

Elaborating on these two points, we can say with regard to (1) that the prospects for refractory products in the export market have obviously dwindled. The successes scored in 1951 and 1952—owing to exceptional conditions on the world market—are hardly likely to be repeated in the years to come. Even the increased share taken by Didier-Werke AG in the industry's exports last year should not prevent us from realising that, in spite of our efforts to promote this trade, our expectations for the future must be rather more modest. As a result we are forced to lay even greater stress on our home trade in order to safeguard our turnover. In general we shall only be able to maintain our present position both at home and abroad by continued research directed to improving existing qualities and to developing new ones.

There is one further point I should perhaps mention in this connection. There are signs that we may be able to make up for the loss in export turnover by supplying those countries who are beginning to produce their own refractory materials with advice and German 'know-how.' It should not be overlooked, however, that this export development, involving as it does at times considerable deliveries of capital goods, creates problems of its own.

The opinion is widely held that the underdeveloped territories of the world will ensure sufficient employment given a long period of peace and prosperity. Even here we should make reservations. Expensive machinery may stand transport over long distances at high charges; our products, however, do not. An expansion of the refractory industry in other parts of the world will necessarily result in a contraction of the German export business in this field.

It is for these reasons that DIDIER has held back hitherto in this matter of 'invisible exports.'

STRUCTURE OF CONCERN

The foregoing explanations show that in the field of exports our ability to influence developments is rather limited. With regard to the structure of the concern, however, whose weakness is referred to under (2), we can and must do something. We are faced with a problem here that urgently requires solution, and that assumes far larger proportions for us than it does for most other companies in Western Germany.

Shortage of coal, rising raw material costs, the need for rationalisation and modernisation and, last not least, labour questions—all these difficulties confront us as they confront other industrial concerns. However hard it has been for us to cope with all these problems, especially since we have only just managed to make good the worst damage suffered during the war by the West German plants we have retained, the task remains one that has faced every undertaking.

The difficulties peculiar to our Company, however, are due to the fact that after the German collapse there remained but a rump of the pre-war undertaking. If we want to take full advantage of favourable economic conditions, we must now close the remaining gaps. The successes of the last few years tend to make us forget the extent of the losses suffered. It should be realised, however, what it has meant for a concern like ours, with a structure peculiar to itself, to have lost ten plants with valuable sources of raw materials, as well as the large iron works for building operations, all of which had grown into an organic whole in the course of many years.

Such losses cannot be overcome in a few years, and they emphasise the extent of the

efforts needed to give DIDIER once again a balanced structure and a firm basis for the future.

CAPITAL REQUIREMENTS

The ordinary method of increasing the Company's capital is by itself of no avail. The tasks facing us can only be carried out by way of mergers and similar operations.

Last year's Annual General Meeting authorised a certain increase in the Company's capital, which subsequently enabled us to acquire a majority holding in an important family concern, and thus to secure access to an important source of raw materials.

Once again we are adopting this method this year, in accordance with the requirements of the moment, and we are taking steps to ensure that our shareholders are enabled to participate in accordance with their holdings.

This policy once again marks the prudence and circumspection for which the Company's Board are known, and it is based on a realistic assessment of the situation. Prudence and realism, however, must go with the ability to make the necessary decisions at the right moment."

The following are details of the report presented by the Board of Directors:

GENERAL REVIEW

Developments during the first six months of the year under review were in sharp contrast to those of the previous year. Whilst 1953 was characterised by an exceptional expansion of business, the first six months of 1954 were dominated by a stagnation affecting the whole of the West German refractory industry. The revival of the iron and steel industry in the second half of the year produced a corresponding recovery in the sector for refractory materials, and underlined once again the close interdependence of the two industries. This upward trend maintained its momentum until the end of the year and led to almost full utilisation of capacity in the case of Didier-Werke AG.

The production shortfall of the first six months could not, however, be made good by the recovery of the second half of the year, and the downward movement of output figures for the industry as a whole since 1952 continued during the year:

	Metric Tons	
1952	2,137,256	
1953	1,926,719	
1954	1,897,438	

Although home market sales rose slightly owing to the sudden rise in demand from the iron and steel industry, exports continued to decline:

	Metric Tons	Percentage
1952	328,347	16.4
1953	328,296	17.7
1954	296,545	15.7

As a result of this tendency towards a contraction of business in the refractory industry, prices continued to ease slightly during the year.

(1938=100):	Coal	Refractory Materials
1950	213	187
1951	238	215
1952	278	238
1953	328	237
1954	329	232

TURNOVER

Although the Company was necessarily affected by these business fluctuations, it managed to maintain a relatively even keel, and achieved a turnover exceeding the previous year's figures by an average of approximately 8 per cent. Turnover by value also rose slightly, in spite of adverse price movements. This success was due not only to measures of rationalisation, but to specialisation in certain products and to flexibility in meeting demands for higher quality.

Although the Company's exports suffered a setback in common with the industry as a whole, Didier-Werke AG succeeded in raising its own share of the industry's exports. It should be pointed out, however, that the difficulties in this field tend to increase from year to year, not least because of growing import restrictions and the trend to self-sufficiency in countries which formerly used to buy the products of the German refractory industry. The industry's future in the export market accordingly depends on its

competitiveness, and on the willingness of other countries to follow the German lead in abolishing export subsidies and liberalising trade.

DIDIER-WERKE AG AND SUBSIDIARIES

Turnover by Value 1948 to 1954 (1950=100)

	Home	Export	Total
1948	32.2	5.3	37.5
1949	70.8	10.7	81.5
1950	84.5	15.5	100.0
1951	119.8	24.1	143.9
1952	157.8	49.9	207.7
1953	123.2	40.0	163.2
1954	144.7	34.9	179.6

CAPITAL EXPENDITURE

The investments of 1952 and 1953, directed to rationalising and modernising the Company's plant, have fully proved their worth, and materially contributed towards maintain-

DIDIER-WERKE AG, WIESBADEN

Balance Sheet at 31st December, 1954

(Summary)

LIABILITIES		ASSETS	
	DM		DM
Share Capital	9,745,000.—	Fixed Assets	13,991,963.—
Conversion Bonds (with Real Estate Security)	4,850,000.—	Participations	4,610,766.—
Reserves	4,340,575.—	Stocks	11,673,672.—
Value Adjustments	12,994,668.—	Open Construction Account	318,163.—
Contingency Reserves	13,023,060.—	Securities	399,615.—
Current Liabilities:—		Debtors (Trade)	10,961,779.—
Didier-Unterstützungsverein ...	5,713,674.—	Debtors (Associated Companies)	2,300,507.—
Creditors (Trade)	4,327,366.—	Miscellaneous Amounts Outstanding	16,895,792.—
Creditors (Associated Companies)	3,049,107.—	Cash in Hand including Bank Balances	4,691,900.—
Creditors (Banks)	2,360,691.—	Transitory Items	546,104.—
Miscellaneous Liabilities	5,022,683.—		
	20,473,521.—		
Transitory Items	82,919.—		
Profit (including Balance b/f) ...	880,518.—		
	66,390,261.—		66,390,261.—

Profit and Loss Account for Year ended 31st December, 1954

EXPENDITURE		RECEIPTS	
	DM		DM
Wages, Salaries, Social Security Payments	21,776,965.—	Profit Balance b/f	48,835.—
Depreciation	2,797,781.—	Gross Surplus	33,013,145.—
Interest Payments	691,985.—	Revenue from Participations	18,087.—
Taxes	3,066,636.—	Extraordinary Revenue	230,818.—
Extraordinary Expenditure	4,097,000.—		
Profit (including Balance b/f)	880,518.—		
	33,310,885.—		34,310,885.—

ing the Company's operations at an economic level during the period of recession early in 1954. Several projects of this kind are still being carried out, and many more will be required in the future to offset economic difficulties and the growing shortage of labour.

PERSONNEL

The number of people employed by the Company did not materially change during the year, and the ratio of manual workers to staff remained static. Allowance should be made in this connection for the fact that the Company has always employed a large number of technicians in its design and development offices.

The following are details of employment figures during 1952, 1953 and 1954, relating to:

(a) wage earners. (b) salaried employees. (c) ratio of salaried employees to wage earners:

	1952	1953	1954
(a)	3,724	3,428	3,446
(b)	975	1,009	1,024
(c)	3.9	3.4	3.4

Particular attention continued to be paid to the training of young personnel, and to the provision of housing accommodation.

Personnel expenditure during 1954, exclusive of housing construction, was made up as follows:

	DM	DM
Wages	15,480,300	
Salaries	6,943,300	
		22,423,600
Social Security Expenditure (incl. Statutory Payments)		7,181,700
		<u>29,605,300</u>

PROSPECTS

In view of the continuing active trend of business, results for the current year are expected to be satisfactory. The order book position remains encouraging, and developments in the iron and steel industry promise an even greater demand from that sector of the economy.

Further steps are being taken to safeguard the Company's long-term prospects, and the recent merger with Didier-Kogag-Hinselmann GmbH, a subsidiary, will help to marshal all available resources to the best advantage.

PROFITS AND DIVIDEND

Net profits for the year totalled DM 831,682.62, which, with the balance of DM 48,835.50 brought forward from the preceding year, raised the amount available for distribution to DM 880,518.12.

It is accordingly proposed to distribute a dividend of 8½ per cent, equivalent to DM 828,325.—, on the share capital of DM 9,745,000, and to carry forward the resulting balance of DM 52,193.12.

The report and the proposals put forward by the Board were adopted.

SUPERVISORY BOARD

Dr jur. Robert Frowein, Chairman; Dr Ing. e.h. Adolf Schondorff, Deputy Chairman; Alfred Broege; Wilhelm von Thelemann. Employees' Representatives: Jakob Eckes; Rolf Racky.

BOARD OF DIRECTORS

Edmund Bieneck, Chairman; Karl Springer; Johannes Dietze and Erich Schroth (alternate members).

JAMES HOWDEN & COMPANY, LIMITED

(Boiler Auxiliary and General Engineers)

RECORD OUTPUT

HEALTHY STATE OF ORDER BOOK

MR CRAWFORD W. HUME ON POTENTIALITIES OF POWER PRODUCTION

The forty-ninth annual general meeting of James Howden & Company, Limited, was held on October 14th at 195 Scotland Street, Glasgow, C.5, Mr Crawford W. Hume, MINA (the Chairman), presiding.

The Secretary (Mr John D. Young, CA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the Chairman which had been circulated with the report and accounts: The accounts for the year ended April 30, 1955, are in the same form as in the previous year except for a change in the arrangements of the headings. The change in the capital structure of the parent company brought about by the passing of the resolutions at the Extraordinary General Meeting on August 9, 1954, is now apparent in the accounts.

After taxation the profit of the group is £512,477. The total taxation provided for the year is £503,302. This taxation covers, as usual, a reserve for Income Tax on profits for the year due in 1956-57 as well as a provision for Profits Tax for the year ended April 30th last and for Dominions' Taxation.

The General Reserves of the parent company and its subsidiaries have been increased by £368,713, bringing the reserves as shown on the Consolidated Balance Sheet to £939,531.

The Group balance carried forward and unappropriated now stands at £107,950.

A POPULAR MISCONCEPTION

There is a popular misconception that sums placed to reserve are in cash and that when a fully paid scrip issue is made using accumulated reserves as was done last year the stockholders are receiving something for nothing. This, of course, as you know, is not the case. The reserves represent what has been ploughed back into the business in the form of new buildings, machines and the financing of increased work in progress and debtors, thus enabling the company to expand its business by greater production and in wider fields and to employ more people. In other words, the ploughing back of profits in this way leads to greater prosperity of the company and all connected with it, whether stockholders or employees, and should ensure the continued strength of the company in the years to come.

EFFICIENCY OF PLANTS MAINTAINED

The maintenance of the plant and the addition of new machinery in all our factories continues to have constant attention and the efficiency of the various plants is satisfactory. They are all fully employed and the year's output has been a record. The order book is good and the prospects of future business are satisfactory both at home and overseas.

Good progress has been made with the electro-precipitator which I mentioned last year and we intend to start its commercial development in the near future.

RELIABILITY OF EQUIPMENT

As you know, a large part of the company's business is in the ever-expanding field of power production, and it is more than probable that for years to come by far the largest part of the supply of power in the world will depend on oil and coal-fired steam plants for which we supply essential equipment. We are well aware of the amazing possibilities of atomic power production and are keeping in touch with its developments. We have already successfully completed installations, of unusual magnitude as far as we are concerned, for the British Atomic Energy Research Establishment, where the reliability combined with the high efficiency of our equipment is of the greatest importance.

On your behalf I should like to express thanks to all the staff and all the workpeople in the parent Company and in its subsidiaries for their loyal co-operation and friendly service throughout the past year.

The report and accounts were unanimously adopted, and the dividend, as recommended, was approved.

The retiring directors, Mr Crawford W. Hume, MINA, and Mr P. H. N. Ulander, MIMechE, FInstE, were re-elected and the remuneration of the auditors, Messrs William Hart Junior, and Wilson, CA, having been duly fixed, the proceedings terminated.

BRITISH OVERSEAS STORES

FURTHER EXPANSION

The thirty-fourth annual general meeting of British Overseas Stores Limited, was held on October 14th in London, Mr R. J. Blackadder, MC, CA, chairman, presiding.

The following are extracts from his circulated statement:

I have pleasure in submitting the Accounts for the year ended March 31, 1955, showing a group profit, before deducting taxation, of £161,427, an increase of £52,663 over that of last year. After deduction of taxation at home and abroad, the total profit is £82,415, compared with £56,463 last year. Our interests abroad have all done well, and the latest returns received in London show no falling off from the figures of the year now under review.

During the year various propositions were considered for extending the company's interests overseas, and on April 1, 1955, we acquired a hardware and lumber business in Belize, British Honduras. We have also taken an interest in a small lumber and general cargo vessel from which the returns to date show a satisfactory profit. We are also interested in the erection of a new office block in Salisbury, Southern Rhodesia.

We continue to look for further opportunities to extend our interests on the same principles as heretofore. The company has been built up on a number of widely spread interests in the past, and we think it best to continue this policy so that the risks inherent in trading overseas may be spread.

At the meeting the chairman again referred to lumber controls in Jamaica which are now effective and, even if modified, as expected, this side of the profits must be affected.

Dealing with Beira, he also reaffirmed the diversion of certain traffic to Lourenço Marques, but was still unable to estimate the loss of revenue that may arise. Lastly, he mentioned the further import restriction in Australia and the efforts being made to secure alternative markets for Bickley & Bell. Obviously, this could only be achieved slowly. The report was adopted.

LONDON TIN CORPORATION LIMITED

CHAIRMAN'S SPEECH

The Twenty-ninth Annual General Meeting of London Tin Corporation Limited was held on October 14th at The Chartered Insurance Institute, 20 Aldermanbury, London, E.C.

Mr J. Ivan Spens, OBE, chairman of the Corporation, who presided, said:

ACCOUNTS

It is hoped that the accounts in the form now presented will make clear to shareholders that the Corporation's subsidiary companies, whether wholly or partly owned, are, in the main, registered and administered abroad.

The observations which I have to make relevant to the accounts are therefore confined to the Corporation's profit and loss account and to its balance sheet.

The profit for the year, before taxation, was £1,402,833, compared with £1,202,664 for the previous year.

Taxation took £715,000, against £718,000 last year, the decrease being due to the cessation of excess profits levy and to the adjustments from previous years.

The net profit after taxation is thus £687,833, against £484,664 last year.

General reserve received £75,000, making it up to £800,000, and the dividend of 28 per cent, less tax at 8s. 6d. in the £, paid on June 16, 1955 (compared with 24 per cent, less tax at 9s. in the £, last year), took £582,536, leaving £30,297 to be added to the amount carried forward, which now stands at £339,514.

Following the procedure in recent years, the dividend was paid as an interim and was announced in May, 1955, with a statement that no final dividend would be recommended, and shareholders were informed accordingly.

Shareholders will probably be especially interested in the balance sheet changes, which show that investments increased by £451,509, whilst debtors and cash were lower by £370,826 at a total of £821,041. Against this latter figure current liabilities stood at £748,277, including £582,536 required for the dividend which was paid six weeks after the close of the year.

It will be observed that funds surplus to normal requirements had been invested at the close of the year, but it must be appreciated that it is often not possible or desirable to achieve such a position. An estimate has been made of the anticipated revenue from tin mining companies and other investments held by your Corporation as at September 30, 1955, and this indicates that it will be possible for the board to maintain the dividend of 28 per cent for the year ending April 30, 1956, unless any unforeseen circumstances arise.

PRICE OF TIN

The average London price of tin metal during the year was £723 per ton, compared with £660 per ton in the previous year. This improvement is reflected to some extent in the profits of tin mining companies and in the income of this Corporation, but the upward trend in mining costs continues whilst taxation and royalties abroad show no remission.

The requisite number of tin consuming

countries have ratified the International Tin Agreement but, on the producers' side, ratification by the Indonesian Government was deferred because of more urgent business, and is now further delayed because of the general elections in that country. Siam's ratification is also awaited. It is hoped, however, that the Agreement will be functioning by the spring of next year.

The United States Government has agreed to keep the Texas smelter in operation for 12 months from July 1, 1955, and the surplus of world production is being absorbed since the refined tin from the smelter is not being marketed. In the meantime, however, the smelter is being offered for sale.

As mentioned last year, the industry must provide a substantial amount of tin, or the equivalent in cash, for the buffer stock which is to be established under the Agreement, and companies will therefore have a portion of their liquid resources so occupied.

MALAYA

In Malaya precautions have still to be taken for the security of staff and mines, defences have to be maintained, and there must be no complacency even although the situation continues to improve. You will have seen in the Press that the authorities have declared an amnesty to the terrorists, but it is not possible to predict the result at this stage. Constitutional changes in the Federation have recently become effective whereby the nominated Federal Legislative Council has been replaced by a partially elected Council which is presided over by a Cabinet of Ministers. Mining interests are represented, and we look forward to continued stability of Government which will allow the resources of Malaya to be developed in the best interests of the country.

It was possible to undertake some prospecting during the year, but certain areas are still difficult on account of security and for other reasons. It remains of first importance to find and prove fresh ore reserves to take the place of those now being mined, and this need is receiving constant attention.

The output of tin concentrates during the year from the mines under the management of Anglo-Oriental (Malaya), Limited, was 17,595 tons, as compared with 15,916 tons during the previous year. Three dredges started operating after having been transferred to new areas, and two were closed down, having exhausted their ore reserves.

The dredges under the management of Anglo-Oriental (Malaya), Limited, in Malaya number 40. At the end of the year under review nine were idle, of which four are without reserves. Of the remainder, two are being transferred to new areas, one cannot at present be operated because of security conditions, one is to be equipped with special plant for treating tin-bearing clay, and one in an area which has been dangerous is to be rehabilitated when the necessary materials on order arrive.

It is noteworthy that the cost of dismantling, transporting and re-erecting dredges on new areas, including reconditioning and improvements, new camp sites, ancillary buildings, and equipment, has varied between £150,000 and £450,000 per dredge. These figures, which take no account of the cost of the new area, afford shareholders some idea of the money the tin mining companies must put away out of taxed profits in

order to ensure the continuity of their business, without, I would stress, any material increase in their treatment capacity, for the reconstruction of a dredge often does not permit any material increase in its treatment capacity, nor even in its output if the recoverable values in the ground remain the same. As I told you last year, the new deposits which are being found and which must be worked to maintain production are tending to be lower in grade per cubic yard and deeper than previously. An adequate tin price, is therefore, more than ever essential.

SIAM

In Siam conditions remained generally favourable for mining operations. The output of tin concentrates during the year was 626 tons compared with 368 tons in the previous year. Two dredges were operating at the close of the year under the management of Anglo-Oriental (Malaya) Limited. One of these had been successfully brought into production during the year. Two more dredges were in course of re-erection on a new property at the end of the year and one of these has since started production.

BURMA

Conditions of unrest in Lower Burma still precluded active mining by Tavoy Tin Dredging Corporation Limited, but a survey of one of the dredges has been carried out.

There is nothing fresh to report in connection with the proposal to enter into a joint venture with the Government of Burma but the proposal is still being considered.

NIGERIA

The production of tin concentrate from the mines under the management of A. O. Nigeria Limited was 4,441 tons, compared with 4,480½ tons in the previous year. Columbite production was 1,102½ tons, as compared with 940 tons in the previous year.

As chairman of Amalgamated Tin Mines of Nigeria Limited, in which company this Corporation holds a substantial share interest, I shall shortly be addressing the shareholders of that company at its annual general meeting, and a copy of my speech and the accounts of that company will be sent to the shareholders of this Corporation for their information.

NYASALAND

Prospecting continued during the year under review under the direction of London Nyasaland Mining Corporation Limited, but has since been suspended, in view of the doubtful results obtained and the uncertainty in connection with being able to market the niobium-bearing pyrochlore.

STAFF

Our thanks are again due to the managements and staff throughout the Organisation for the work carried out during the year.

Mr D. T. Waring, chairman of Anglo-Oriental (Malaya) Limited and a director of this Corporation, is with us today; Mr H. E. Wilson, chairman of A. O. Nigeria Limited, is also over here, which has enabled us to have discussion on current matters.

The report and accounts for the year ended April 30, 1955, were adopted and the retiring directors re-elected.

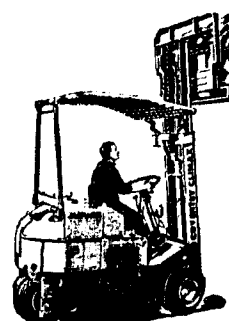
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OCTOBER 29, 1955

ONE SHILLING

As Far as It Goes

Middle Eastern Jackpot

The Saar Fiasco

The Budget Proposals

Sweden Between Two Worlds

AMERICAN SURVEY: Backing Mr Dulles
THE WORLD OVERSEAS: New Look for Nato's Divisions?
BOOKS: The Peacemakers

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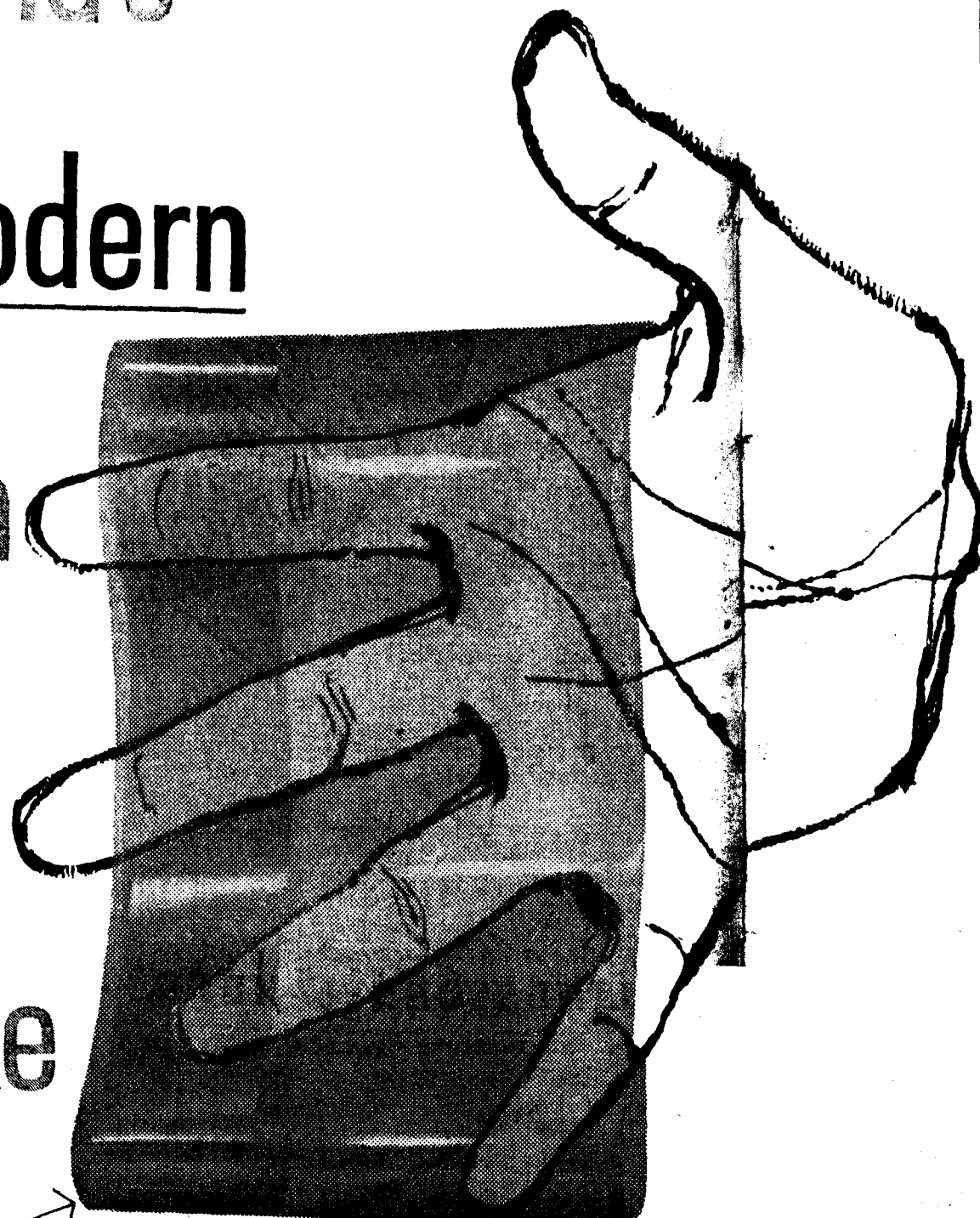
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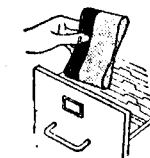
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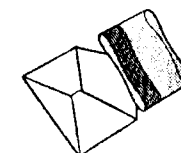
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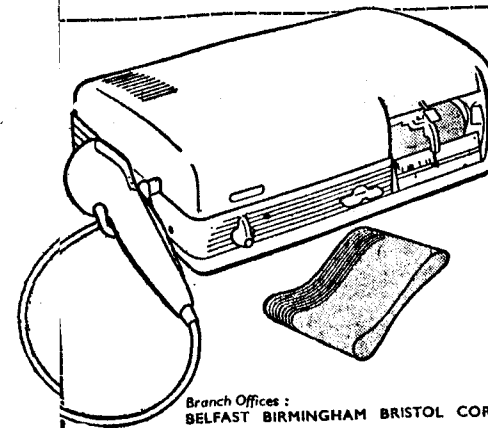
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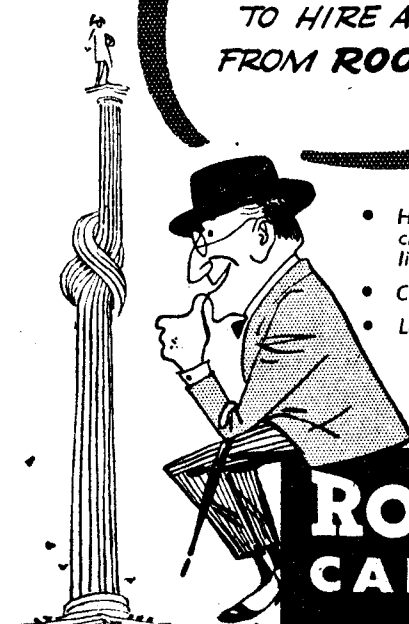
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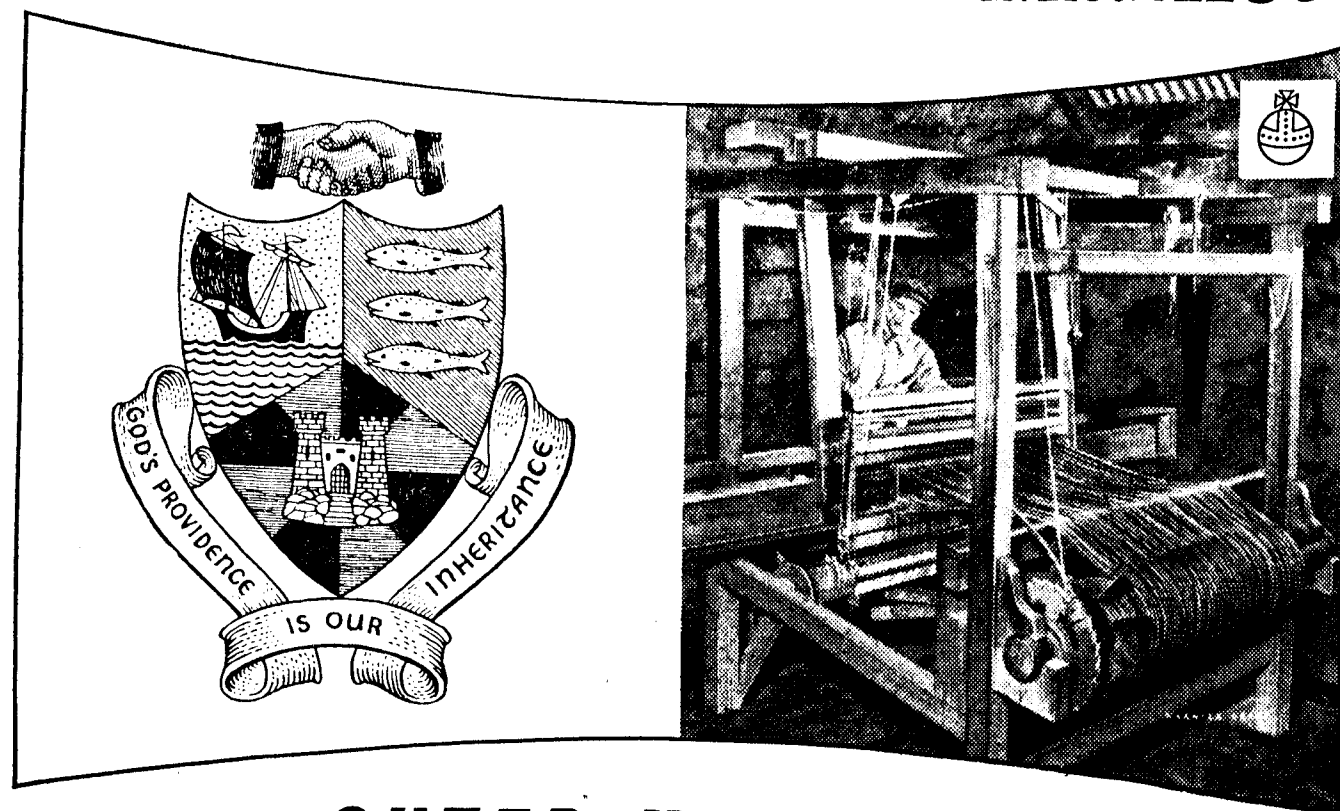


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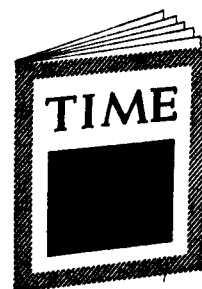
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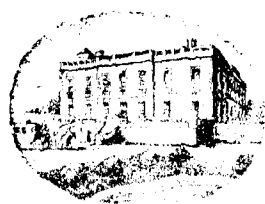
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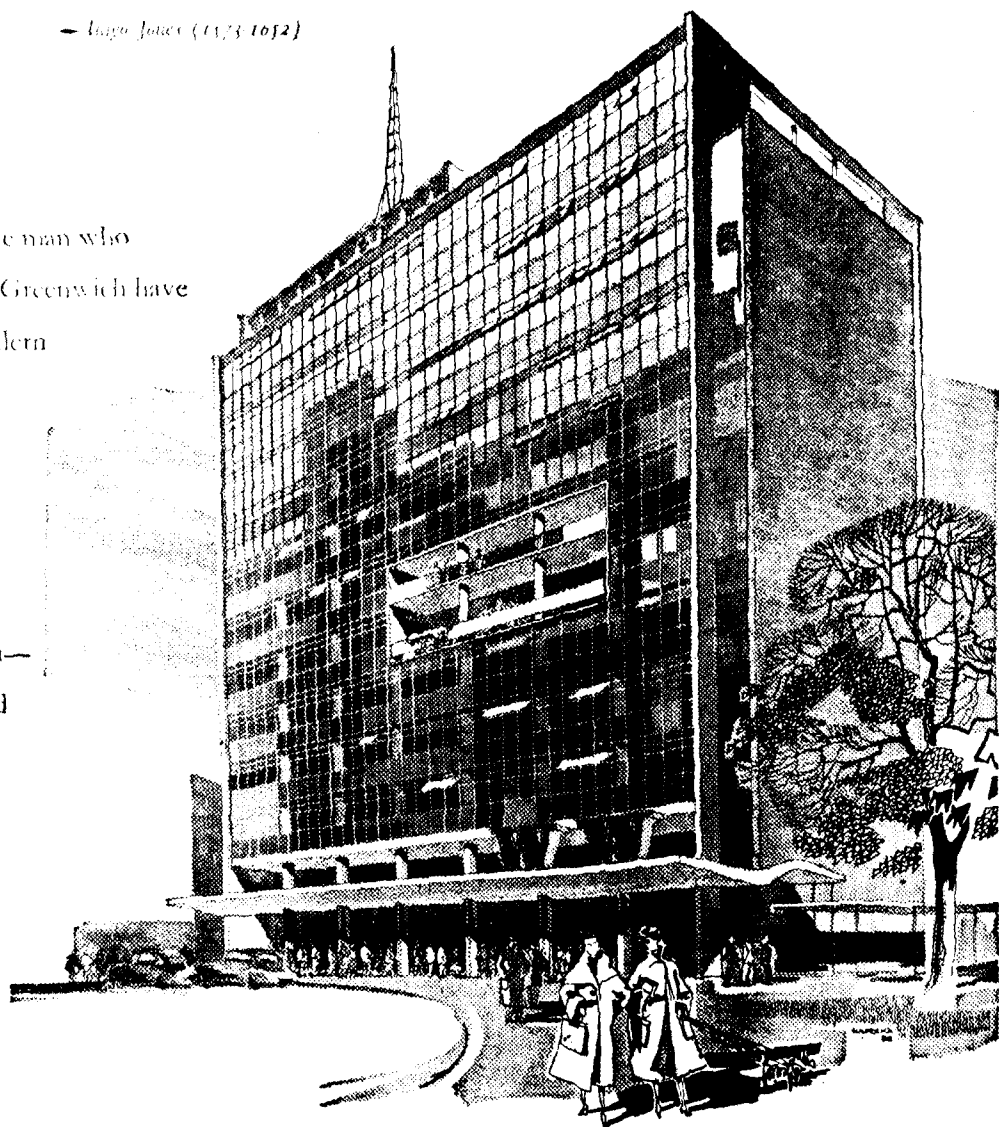
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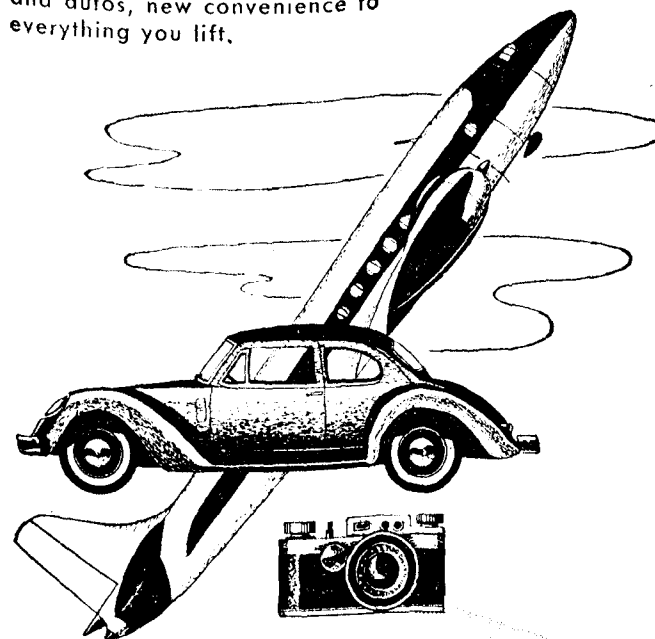
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Tib. 307



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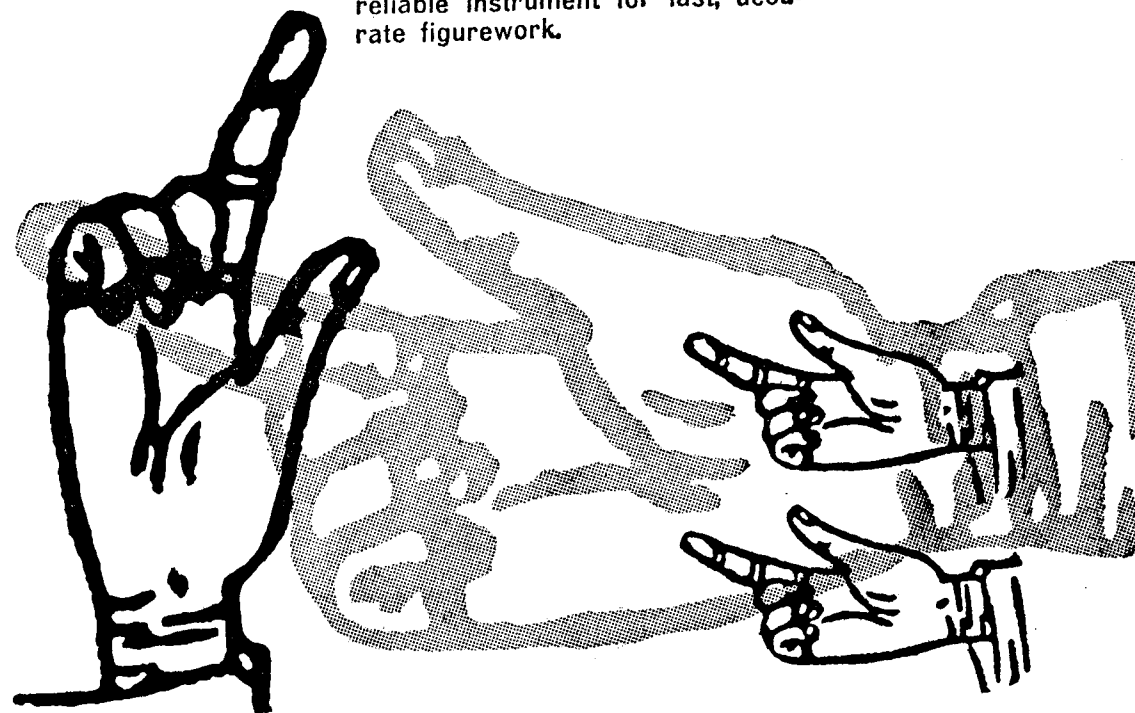
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The Economist

FOUNDED 1843

OCTOBER 29, 1955

ONE SHILLING

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**Sweden Between
Two Worlds**

FOLLOWING PAGE 392

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.

As Far as It Goes

A BUDGET should usually be regarded as a whole. Unfortunately, the economic and political measures that Mr Butler has now unfolded can only be regarded in bits and pieces. The excellent precepts, but less satisfactory practices, that he enumerated during his speech on Wednesday suggest that he is still marching along a road that is paved by good intentions; but there is a traditional doubt about where that road might lead. It will be best to discuss his points and peccadilloes in the order in which he raised them.

The first part of his speech on Wednesday was devoted to an explanation of why he had decided to introduce a Budget at all. This was by far the most satisfactory part of his performance. He was able to say at the outset that the assumptions which he made last April about production (which has increased by between 5 and 6 per cent on the year) and personal consumption (the rate of increase in which has so far been slower than last year) have not yet been falsified by events. It is investment, both in fixed equipment and in stockbuilding, that has outrun his expectations; while industrial production has increased this year by 5 to 6 per cent, the volume of imports has increased by 11 per cent—largely, presumably, because industrialists have been laying in the raw materials that they failed to stock last year (when imports increased by much less than production).

In the normal course, this surge in investment and this excess of imports above requirements might be expected to moderate soon of their own accord; but Mr Butler is not inclined to take a chance that they will. He clearly does not feel that he has the margin in hand to allow him to run any such risk. Some raw materials, and particularly steel, are still very short; labour is even shorter, for there are more than two vacancies for every man unemployed; the recent spate of wage claims suggests that personal consumption, if left on its own, may not obediently accord with his April forecasts for very much longer. Mr Butler agrees that the credit squeeze is slowly beginning to work, and that there has been a marked improvement in all the available economic indicators during the past month; but he is inclined to accept the still unproven view that Bank rate is very much less effective in conditions of rising production than of falling prices (the conditions under which an active monetary policy was first put into effect in 1952). He agrees that Britain may not be in deficit at present; but he says that now, when world trade is expanding, is a time when it should be in large surplus and building up its reserves. Hence his Budget.

This was a brave analysis, and it would be churlish not to praise Mr Butler for taking a decision that must have been so much against his political inclinations. If his fears about the future course of demand turn out to be too strong, then his actions now to bring about disinflation in the future (for few of his measures will be of great immediate effect) will merely represent a policy of *reculer pour mieux sauter*; if, on the other hand, his suspicions prove justified, then a failure to start disinflation now would spell disaster—or else a need to

go back upon his most fundamental policies—later. Up to this point in his speech he had enhanced, rather than tarnished, his reputation.

His next task was to find items of public expenditure that he could cut down. Here he announced three basically wise decisions. His aim to stop Exchequer subsidies on council housing altogether—except for slum clearance, new towns, and overspill areas—is undoubtedly right; and Mr Sandys's statement on Thursday that the Rents Acts will be reviewed heralds perhaps the most important point of the Government's whole programme. But the cut in the subsidies will apply only to new houses and therefore will merely slow down the rise in the subsidy bill instead of reducing it. The decision to raise charges for telephones, will cover their capital costs, and do something to cut the queue for them. The priorities with which Mr Butler blessed the erstwhile Cinderellas of Government investment—the roads, railways, schools and hospitals—were welcome; but although he is not going to swing an axe at these, he expects that he will have to block their further expansion.

Among his other prospective economies in the public sector, the cuts in government building were typical examples of projects that are too easily thrown to the wolves in every economy drive. The decision to force local authorities to borrow either in the market or at the going market rate is undoubtedly welcome in principle, even if it may raise some anomalies in practice. The cuts proposed in the investment programmes of the nationalised industries, on the other hand, seem to have been decided by bargaining with the boards, and without any obvious relation to market demands at all. The most disappointing feature of the Chancellor's whole shrimping expedition for economies, however, is that, as he himself admitted, he felt that he had to undertake it under the limitation that there could be no major change in policies. The agricultural subsidies, which provide the most obvious field for a change in policy, are to be looked at again by the Minister of Agriculture next spring. Most of this delay was probably inevitable politically; but is there any reason why the Chancellor should have felt obliged to leave the present bread subsidy unscathed?

★

It was under the burden of a conscience that has obliged him to act more swiftly in the face of threatened inflation than any postwar Chancellor has acted before, but of a temperament that has induced him to be as tender about Government spending as Chancellors usually are, that Mr Butler turned to the tax increases that were the reason for calling his policy statement a Budget. Once he had decided that he must raise £75 million more in a full year from personal taxation—which is just about as much as he gave away to persons on the reduced income tax rate last April—it was probably inevitable that he should increase the purchase tax.

The alternatives—a reversion to higher income tax, an increase in national insurance contributions or in the petrol tax—were all either economically unwise or politically unthinkable. But, having decided to restrict consumption by purchase tax alone, Mr Butler made one commendable and one dubious decision about it.

His commendable decision was to raise rates right across the board, and not to hit discriminately at those items that appeared to be in most inconveniently high demand or at "luxuries" that appeared to be politically uninvincible. The decisions to abolish the D-scheme, thus aiding producers of quality textiles at the expense of the mass market, and to re-impose purchase tax on pots and pans, which would never have been freed if Tory propaganda had not forced Labour Chancellors to discover political dynamite in the "housewife," fitted into this admirable pattern of non-discrimination. But, having started along this road, Mr Butler spoiled his whole case by finding two more shorn lambs—in silverware and cut-glass—to whom he could temper the prevailing economic wind. Such yielding to pressure in changing particular rates can only postpone further the evolution of purchase tax into a flat-rate sales tax imposed indiscriminately on all consumer purchases.

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There remains the increase in distributed profits tax. This was a deplorable decision, and to examine the reasons for it is not to excuse it. It defies the principle that the Royal Commission laid down on differential rates of profits tax; and it is based on the kind of dubious economic analysis on profits and dividends that Labour Chancellors have always employed. In April, Mr Butler gave away £40 million in a full year to companies by the 6d. cut in income tax; he evidently aims at taking back approximately that amount from them in two or three years. His main concern for the future (and it must be emphasised again that it is concern for the future, not for the present, that has motivated his Budget) lies in the curve of wage claims; he may feel that a little bit of apparent beastliness about profits now will help him to induce more restraint from trade union leaders, if not from their rank and file, in the next few months. Nevertheless, this decision, more than any other, underlines the limitations of Mr Butler's—or is it the Prime Minister's?—wisdom as an economist and his strength as a politician. In effect, the Government is willing to embark on measures that provoke long-term economic disadvantages in the hope that those reasonable fellows at the TUC may be mollified. But already it is doubtful if this expedient is going to work.

What, then, must be the general conclusion upon the whole economic programme? Mr Butler's critics are in the embarrassing position of knowing that any of the Chancellor's predecessors would have avoided cause for criticism by a simple policy of inactivity; since there is no immediate crisis, they would not have introduced

immediate remedial measures at all. This is a major point in Mr Butler's favour. It is an improvement, even if necessarily an equivocal one, from seeing too little being done too late to see a mixture of right and wrong things being done in good time. It would therefore be unfair to say that by last Wednesday's performance the Chancellor has destroyed at a stroke the enviable reputation that he has built up over the past four years; but it is fair to say that his principles and his practices have become seriously entangled. He has shown less energy in looking for cuts in Government expenditure than his friendly critics had hoped for. He has been forced to use the engine of an interim budget to put right new strains superimposed on an economy

Middle Eastern Jackpot

THE rattle of the money-boxes in which the Egyptians and the Israelis are collecting funds for arms is a disturbing noise in the ears of the three western Foreign Ministers now in Geneva—the more unpleasant because it was not expected. When the invitation to a two-stage "summit" conference was issued in May, and indeed when the first stage was accomplished in July, none of the western powers conceived of the Arab-Israel frontier problem as a major item for their autumn agenda. It has become so through two developments. The first was Russia's sharp reaction to the formation of a "northern tier" of Middle Eastern states linked to Nato, in the shape of the Turco-Iraqi pact now also joined by Britain, Pakistan and Iran; the second, Egypt's desire to recover a leadership of the Arab bloc which it lost through Major Salah Salem's misguided diatribes, and its decision to use Israel's bellicose behaviour at Gaza as its rallying cry. The Egyptian-Czech arms transaction, which was the spark that illuminated the scene for western eyes, is for the moment equally convenient to Egypt and to the Soviet Union.

Naturally, the immediate reaction in Israel is to seek corresponding supplies of arms "from any possible source." The preoccupation of the western statesmen, therefore, is how to limit an arms race which is not in itself new—it has been going on since the Palestine war—but which can now become unbridled unless the Soviet Union is as ready as they are to curb it.

For more than five years, the western powers have kept it within bounds on the basis of their Three-Power Declaration of May 1950, which binds them to weigh all applications for arms in the light only of "internal security and legitimate self-defence needs," and to deliver arms only subject to specific assurance from each purchaser that no act of aggression is intended. They have been able to maintain these standards because, in the western world, no arms of importance

at full stretch, and has left largely on one side the considerations of economic policy that would reduce the stretch and enable the British economy to go ahead vigorously—but without the top hamper that now makes it unsteady whenever an adverse breath of wind begins to blow. It is not likely that his compromise on profits tax will make any lasting impression on labour's demands; and while increases in purchase tax will help to mop up purchasing power, they also provoke bigger wage claims and introduce further distortions into the pattern of output. This mixture of courage, wisdom, and expedient lacks the element that would have given it binding force—resolute attention to government expenditure and particularly to the subsidies.

are exportable without government licence. Until lately, two further factors have helped to stabilise the area. One was Arab acceptance of the assumption that Arab foreign relations must be founded on relations with the West; that this practice survived the Palestine war and the birth of Israel was due partly to the indeterminate nature of Soviet Middle Eastern policy, partly to the anti-Communist nature of Arab leadership, partly to hopes placed in western aid, and partly to the belief that Britain, at least, stood for a conception dear to Arab hearts, that of Arab League unity. The second stabiliser was—unlikely though it may sound—the presence of British troops in the Canal Zone. Lying athwart the line of communications between Egypt and Israel, they helped to put body into the third paragraph of the 1950 declaration, which asserted that the three governments would immediately take action both within and outside the United Nations to prevent violation of frontiers or armistice lines.

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These guarantees of moderation may not have been watertight but, for five years, they have been fairly effective. Today, all three have vanished. Moscow has become active; the British troops are gone and Britain's adherence to the Turco-Iraqi pact has, as that pact has turned out, amounted to taking sides as between Arab League members. Arab eyes have opened to new possibilities, and the problem before Mr Macmillan, Mr Dulles and M. Pinay is that of inventing new stabilisers to take the place of the old. Policy designed to check the arms race could be put into effect at either of two points—in the Middle East itself, or at Big Four level. At which, or both, are they to try their hand?

Appeals to the better feelings of the Middle Eastern antagonists are being uttered, but the immediate out-

look for their success is not bright, for the crisis has served as a tonic to weak regimes on both sides of the border in Palestine. The Egyptians have recovered the lead and the initiative that they had lost, and have brought off, on terms highly favourable to themselves, the military pacts with Syria and Saudi Arabia that had been hanging fire for months. They have not become the allies of Soviet Russia and do not intend to do so, but they have secured—on the short term basis that is all Colonel Nasser has so far considered—proof of the advantages of dealing with both East and West. Their attitude, and that of all Arab states except Iraq and Jordan, is admirably summed up in a leading article in a Lebanese newspaper:

From now on we smaller nations need not hesitate to stand up to great powers. . . . We will smile at the West for a price, at the East for a price also.

The country least likely to be able to follow this programme unscathed is Syria, where a weak government, divided parties and a quarrelling officer corps form just the stuff on which Communist agents thrive.

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Even in Israel, where anxieties about difficulty and expense in securing armaments are greater than those in the more feckless Arab states, the immediate effect of crisis has been a lifting up of hearts and a hardening of opinion. Cabinet-making, fraught since July with petty difficulties, has suddenly become easy; a visiting team of enquirers representing the principal source of American gift funds—the United Jewish Appeal—has been supplied overnight with fresh slogans; deputies in the Knesset are cheered when they call for a “siege mentality.” Simultaneously, Israeli listeners to Warsaw broadcasts in Yiddish are hearing that:

“If the Sharett-Ben Gurion government had shown a minimum of independent policy, say as much as Egypt” (instead of lining up with the antagonists of the “peoples’ democracies and liberation movements in the East”), they “could have obtained arms from Czechoslovakia too.”

In a word, blood is tingling on both sides of the Arab-Israel frontier and several different forces are interested in keeping it so. Even Asian apostles of peaceful neutrality, such as Mr Nehru (who successfully produced with Colonel Nasser a joint statement on the virtues of disarmament when the two men met in Cairo in July) may find it difficult to modulate so warm a welcome to arms.

The only immediate opportunity for lowering temperatures seems, therefore, to be at Geneva. Only if the Russians can be led to adopt the frame of mind that brought about the Three-Power Declaration of 1950 does any chance of curtailing an arms race survive. Yet the conversation with them will not be easy, judging by experience in Europe:

West: Do you really want relaxation of tensions? Because if so, why sell arms to Egypt?

Russia: We are doing only what you western powers have done for years. What is the difference between a Czech sale and a British or American sale?

West: The difference is that our deliveries were rationed. Will yours be, likewise?

Russia: Surely; if you will abandon your military pacts on my southern border.

The choices of policy now open to the western diplomats are narrow and none is attractive. Are not their good friends of the “northern tier” more valuable than ephemeral Russian smiles? Shall they invite Picasso’s dove to fly over Jordan and Mr Molotov to subscribe to their 1950 Declaration? The advantage would be the clear challenge to Soviet sincerity; the drawback, a price paid in fruitless conferences and abortive bargaining of the type so familiar in Europe. Or shall they allow matters to ride, hoping that time will prove that Russian helpers are less generous and more exacting than western ones, and that once the first heady excitements of multilateral flirtations are over, the comparisons drawn by the Middle East will turn out to be favourable to the West? The drawback about procrastination is the high risk that in the meantime there will be an outbreak of fighting on the frontier and a local war.

Yet, apart from these alternatives, what course is possible? Already, Mr Macmillan has sensibly discarded that of arming Israel to match, or of specifically guaranteeing Israel’s frontiers—either of which acts would pitch Egypt and Syria into the Soviet bloc. Equally it is impossible to establish anywhere on the adjacent mainland the semi-deterrent to war in the shape of a western force that existed so long as the British ran a Canal Zone base. Even if Gaza could be hired from Egypt at a substantial rent, who would man it in a year when Britain is cutting military commitments, France has not enough men for North Africa, and the United States holds the theory that small forces stationed overseas are more likely to involve the world in war than to prevent it? Sooner rather than later the West must arrive at the conclusion that nothing, now, can keep Russian embassies and emissaries out of the Middle East and that it is wisest to enlist them, as soon and as publicly as possible, in the ranks of those who do not want a second Palestine war.

Western statesmen can count themselves fortunate that, in most years between 1917 and 1955, they have been vouchsafed the chance to play in the Middle East a one-handed game, akin to patience. Its even rhythm has lulled them into forgetting that this policy was only open to them as long as the Arab governments looked westward only, and as long as Moscow pursued no active Middle Eastern policy. Today, provoked by the Turco-Iraqi pact, Cairo and Moscow have switched the game from patience to poker. The only course for the West is resiliently to play it; poker is, after all, a game that any player can win.

The Saar Fiasco

THE Assembly of Western European Union met in Strasbourg on Monday, and confessed itself speechless in face of the previous day’s referendum in the Saar. The meeting resolved simply not to talk about the subject, although the Saar problem is its particular responsibility. The ghosts of Hitler and Stalin might have risen and shaken hands over Sunday’s two-to-one vote against a new European solution for this old bone of contention between Germany and France. It is a defeat for Western European Union, including Dr Adenauer’s Germany, not for France alone. Indeed, the whole of Nato and the friends of freedom all over the world are involved in this collapse of an experiment in western unity.

A *post mortem* on the referendum is not a waste of time. On the contrary, it is essential to note the causes of the death of the Statute on which the Saarlanders voted. They are easy enough to discern. The basic reason why the Saar Germans rejected the Statute was that they did not believe in a new Europe. They were not convinced that they were being offered a genuine European status in a new community. They thought they were choosing, much as in 1935, between France and the Saarland government on the one hand, and Germany on the other; and naturally, when the bands began to play and the patriotic slogans resounded at mass demonstrations, these Germans chose Germany. It is, in the circumstances, a grain of comfort for the future that one third of the voters actually resisted patriotic hysteria and the fear of being branded as “separatists.” The number who voted for the new Statute was greater than might have been expected, considering that every party, except Herr Hoffmann’s and the Saar Socialists (as distinct from the Saar branch of Herr Ollenhauer’s Social Democratic Party), urged them to reject it.

The pro-German front was solid, and even included the Saarland Christian Democrats. They were united in a “patriotic union” for the referendum campaign, and had the full and active support of the Communists. The East German Communist headquarters denounced the Statute, and orders to fan nationalist feelings were transmitted down the line from Moscow through East Berlin and West Germany to the Saar. Some of the organised disturbances and forged nationalist leaflets which marked the campaign are believed to be typical crypto-Communist contributions to the work of breaking the “Europeans.” The Saar provided an excellent field in which to carry out the policy of tactical alliances with nationalists formulated by Stalin and followed by

Communists throughout the world with increasing zeal under his successors.

What had the European side to put in the scales against such a union of extreme left and right, flanking a half-hearted centre? Almost nothing but the exhortations of Dr Adenauer and the empty threats of the French; and both of these were denounced by the pro-Germans as “interference.” The contrast between the majestic title “Western European Union” and actual performance in the Saar was pitiful. No German could have seriously believed that the Saar settlement was really being sponsored by a great union of seven nations, including Great Britain, and backed by North America. What evidence was put before the Germans to show that this attempt to end Franco-German hostility is the most important business of Western European Union as such? In other respects the Union is little more than a working committee of the Council of Europe or of Nato, but the Saar is its own child.

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It was intended that the territory should form a focal point for a new political community in Europe. The Union was to appoint a High Commissioner with power to supervise observation of the Statute, and to represent the Saar in the field of foreign affairs and defence, and the Council of Ministers of WEU was charged with receiving his reports. It might have been thought that the seven governments would have taken their new responsibility more seriously than they did, and that they would have impressed the Saarlanders with the weight of their authority and their new, progressive ideals. Instead, WEU simply appointed a commission to supervise the voting, and allowed it and the seven member states to be bound by a pledge of non-interference which left the contest to relapse into a dingy revival of the old quarrels between France, Germany and local autonomists.

No one seems to have realised that the principle of non-interference was out of place in the new European context—as out of place as it would be for a national government to refrain from propaganda in its own cause during a general election. It would have been far better to have allowed the voting to be supervised by neutrals outside WEU than to have turned the Union’s own commission into a neutral body. As it was, the cause of Western European Union was left to the Hoffmann government, stigmatised as separatist in the eyes of the Germans, and to the lone voice of Dr Adenauer. If the founders of the Union believed in it themselves, why did they allow their own voices to be muffled? If all the prime ministers of the Union

had jointly gathered on platforms to proclaim a new future, they might well have overwhelmed the nationalists. But, in the name of an entirely inappropriate principle of non-interference, the Union gagged itself, while leaving extremists to whip up hysteria to their hearts' content.

It may be said that Western European Union had no chance of creating any deep-rooted sentiment with which to counter resurgent German nationalism, since, before WEU was formed, the projected European Defence Community was killed by the French Assembly. There is much truth in this argument. And it is also true that Britain bears a good part of the blame for this French rejection of a French proposal. If, when the EDC was in view, Britain had committed itself to Europe to the same extent as it later did to bring about Western European Union, history might have taken a dramatically different course.

It may, again, be argued that the draft statute which M. Mendès-France pressed Dr Adenauer into accepting a year ago was much too favourable to French claims in the Saar, and might have been adopted by the Saarlanders if only it had been less grasping. There

is also some truth in this criticism of the French. But when all is said and done, it is evident that the Saarlanders would have voted for Germany, regardless of other circumstances, if their apparent choice was simply between reunion with Germany on the one hand, and political autonomy and economic union with France on the other. Indeed, some pro-Germans in the Saar felt that the better the statute, the more vigorously they must oppose it, because its merits would make it all the harder for them to carry through a reunion with Germany when the peace treaty was finally negotiated.

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The basic fault therefore lies in the failure of Western European Union to provide a clear and convincing framework for a new order in the Saar. Blame must also be attached to the members of the Union for abandoning the field of persuasion to the nationalists, and for not insisting that a statute which the Union had to sponsor should be a more generous compromise with the wishes of the Saarlanders. It is with these findings in mind that the Union should now tackle the problem of what to do next.

In the first place, there can be no simple return to the *status quo* before the referendum. The Hoffmann government has understood this and has resigned. New elections will be held, and will doubtless mean a victory for the pro-Germans. Secondly, there must be no simple capitulation to the nationalists. Despite the present setback, there can still be no solution for the Saar except a European one, under Western European Union.

Finally, there is everything to be said for not trying to produce another statute immediately. Matters should proceed on a provisional basis, with WEU acting energetically to assert its authority and take part in a new settlement. The search for a new statute could go on, without the drafters again being pressed into an impossible and unwise attempt to compose a watertight agreement which would be untouchable for many years to come. During the interim period, while empirical methods were being employed, the western statesmen should put their combined weight behind efforts to give content to the idea of a European community.

When the time comes for a vote to be taken on a new statute, it would be unwise to hold another referendum. There has been enough experience to show that the issues are always distorted through oversimplification when a "Yes" or "No" answer to one question is asked for on a complicated subject. It would give the exponents of the European solution a better chance if the public were to choose in an election between parties standing for the new course and the politicians who cling to the nationalism of the unhappy past. But next time, if the present setback is not to be repeated, the Germans must be convinced that "Europe" is something real and inspiring and not simply another name for France.

Notes of the Week

Princess Margaret

IT is to be presumed that the Princess Margaret is now in the last, painful stages of making up her mind about her future. One by one, British newspapers have slipped off the leash to comment upon her problem, each in turn criticising the bad taste of the others that have spoken before it. In this typically British way the consensus of responsible opinion has become clear. It is neither as dewy-eyed as might have been expected, nor as sacramental as might have been hoped. If Her Royal Highness feels that she must enter into this marriage, then in democratic conscience one supposes that she must. But it will be a great pity if she does.

There is a real dilemma here. On the one hand, Royalty must have higher and stricter standards than other people. The reason why marriage to a *divorcé* would offend against those standards can be bluntly stated. It is not simply that such a marriage would be contrary to the religious views held by the majority of the Convocation of the Church that happens to be established in the southern half of the United Kingdom; it is that many people who are very far from being churchgoers would take such a marriage as one more sign that all this fussiness about church views upon morality, which could then apparently be flouted by the highest in the land, is old-fashioned nonsense that need not apply to them. And, whatever one's views about the Church of England's interpretation of Christian doctrine in this particular matter of divorce, it must be insisted that for a Royal Personage to spread any such impression must be a very bad thing. On the other hand, Princesses, as individuals, clearly cannot be denied their human rights. If a Royal Personage wants to do something that Royalty ought not to do, and persists in such a wish after mature consideration, he or she should be permitted to become a commoner and assume ordinary legal and personal rights. This should be permissible, but it must always be regrettable to those who devoutly cherish the institution of monarchy as a whole.

Everybody realises that this must be a painful dilemma for this particularly charming Princess herself; few people can be quite sure what they would do if they were unlucky enough to be in her shoes, and subject to standards of conformity that are a burden of such agonising weight. But the correct course for the Queen's advisers has been clear. It has been to make Her Royal Highness struggle past every obstacle before she reaches her decision. This is, quite obviously, the course that they have in fact followed. They deserve commendation, not the blame they have been getting, for having done so.

Parliament Reassembles

LABOUR was disappointed in its hopes of using Parliament's reopening day as a launching platform for a new rocket against the Government front bench. In two of the issues which came up at the outset Labour's own leaders are as heavily involved as the Government—the 14-day rule about broadcast discussions and the Burgess-Maclean case. There are plenty of topics on which Labour can pick a straight fight—the call up, Cyprus, monopolies and, above all, the Budget—but it does no harm for an Opposition to be reminded that a party's actions, in or out of office, can always catch up with it at the wrong time. The opening passages in the new Parliamentary chapter also served to remind Labour that in Mr Attlee—an unbelievably fitter and spryer Mr Attlee compared with his appearance at Margate—it still has a leader who knows no equal in the art of playing possum when things look tricky, and then snapping into action when he sees a good opening.

On the question of the 14-day rule, pressed by the Liberals, it was disheartening to find the Canutes of Westminster out in full force so soon. Sir Anthony Eden carried the vocal support of a majority of MPs, certainly on the Tory side, when he refused to drop the ban; he said that to allow a broadcast debate on any subject that the House itself would debate in less than a fortnight would not be "in the best interests of Parliament." But his defence of the system—as a good, old, illogical, but workable British institution—was unbelievably feeble. His dark reference to the disappearance of free speech in other European countries would have fitted better into an argument against the rule. There are good grounds for suspecting that the party leaders mind less what is said than who says it. Those MPs who are neither bemused by the Whips nor jealous of the TV stars in their midst should continue to press for a debate.

The Government itself has promised a debate on the Burgess-Maclean affair, and with each new fact unearthed, usually by the press, it becomes clearer that both front benches will have their share of explaining to do. Labour's leaders will have to answer for the apparent bungling which led to the escape of the two men; the present Government will have to explain a series of misleading answers to Parliament, extending over four years and culminating in a determinedly stonewalling White Paper. But back benchers must understand that more than an autopsy is needed. The most worrying aspect of the case—intensified with every damaging disclosure—is that there is no proof that the same thing could not occur again. It is not McCarthyism for Parliament to demand convincing assurances that behind four and a half years of covering up, security measures have been made really effective, if necessarily unobtrusive.

Workers' Education

Those whose memories extend back to the year 1825 and who took an interest in the dissemination of knowledge, will be aware that it was then considered a kind of heterodoxy to give scientific lectures, or lectures of any kind, to working men. Dr Birkbeck, Lord Brougham, Mr Millington, and one or two others whom we could name, at mechanics' institutes and literary societies, did occasionally collect an audience of the humbler classes, and deliver lectures on physiology, on the properties of timber and metals, or on political economy; but their exertions were rather derided than supported by politicians, and were sometimes, and even from the pulpit, denounced as dangerous. Now times are amazingly changed, and we have Lord Ellesmere, Mr Gladstone, Lord Stanley—the foremost leaders of the Conservative party—giving lectures on the war, on colonial government, on mechanics' institutions, etc., etc., to the people, at literary and scientific institutions. . . . It must at the same time be noticed that all the lectures delivered by noblemen and gentlemen have been to town audiences. . . . Nobody has yet, as far as we know, thought of collecting the agricultural labourers and of lecturing to them. They are supposed to be susceptible to religious instruction, but apparently to no other. Their habits of working separately and silently in the fields, their want of much social communication, except according to the old saw when thrashing, may make them less ready recipients of verbal instruction than townspeople; but, to thoughtful men, these peculiarities in their lot should be a strong reason for giving them social instruction, and so equalising their fate to the fate of others. . . . Landowners and clergymen cannot too soon imitate the example of Birkbeck and Brougham in past times, and Mr Gladstone, and Lords Ellesmere and Carlisle in the present times, and disseminate amongst the agricultural labourers the knowledge acquired and possessed by other men. It is necessary for their welfare and the safety of the state.

The Economist

October 27, 1855

After the Budget

CONSERVATIVE backbenchers have been magnificently inconsistent in their reactions to the Budget. Their most vocal complaints have been directed, respectively, at the most sensible and the silliest parts of the purchase tax changes. They are convinced that the Chancellor will infuriate the housewife by imposing purchase tax on kitchen ware; and they are baffled to know why Mr Butler gave such a hostage to the cartoonists as to lower the purchase tax on cut-glass and silverware while putting it up on everything else. There is no such thing as a cut-glass lobby. There is, however, a Lancashire lobby, and on Wednesday night it seemed to be pleased with the Chancellor's decision to wind up the D-scheme; whether this shows that Lancashire MPs are in, or out of, touch with their constituents remains to be seen. On the wider aspects of the Budget, the Tories have not yet said a word. But they are thinking plenty.

Labour naturally wasted no time in picking up any sticks of political dynamite strewn around by Mr Butler. Not even Lord Woolton has ever championed the injured housewife's cause more eagerly. Labour has suffered much over the past four years from the combination of Mr Butler's good luck and good judgment; and it was only human, if singularly graceless, that it should give him on Wednesday the roughest Parliamentary ride any Chancellor has had for years. But there was a significant note of "now or never" behind Labour's determination to mock the new Toryism and its chief architect. Labour fears that if the current medicine cures the economy of its slight attack of wind, then the Tories will be off on a gay procession of cheerful Budgets leading up to another election victory. Sensing rightly that there is at present no substitute for Mr Butler in the Tory ranks, the Opposition is going to do its best to badger him into seeking the less strenuous post he is reported to want. If Mr Butler listens carefully, he will catch a note of despair in the bugle calls from the Left; but he should not suppose that his compromise about the profits tax has anything to do with their chagrin. Pinching those old clothes has done him no good at all.

A Good Part of the Nettle

MR DUNCAN SANDYS'S statement on housing policy on Thursday is, in the long term, likely to be more important than the Chancellor's Budget on Wednesday. It is also much more heartening. The Government is not ready to grasp the nettle to the extent of cutting the subsidy on existing houses; but its proposals for subsidies on new houses are drastic and undoubtedly right. Above all, Mr Sandys has specifically promised that "it will clearly be necessary for us to review the Rents Acts. This we still now do."

The essence of the Government's decision is that, "for a year or so," all local authorities will get "a much reduced annual subsidy of £10 per house"; but that after that "the subsidy on future houses, built for general needs,

should be abolished altogether." These arrangements will not apply to houses built to replace slums, which will continue to attract the present subsidy of £22 per year; nor will they apply to new towns or districts that are being expanded to accommodate overspill populations, where annual subsidies will in fact be increased to £24 per house as part compensation for the recent rise in interest charges. Contrary to some people's expectations, there will be no special arrangements for towns with particularly heavy waiting lists; Mr Sandys believes that "most, if not all," of these "possess a big pool of existing houses on which they are receiving large amounts of subsidy," and that they will be able to afford to build all the new houses they require if they are sensible enough to introduce differential rent schemes.

In order to encourage the spread of such schemes, the councils are to be relieved of their present statutory obligation to pay into their housing revenue accounts a fixed contribution from the rates; this will "allow local authorities to use any savings they may make to reduce the rate burden, and will give them for the first time an incentive to adopt realistic rent policies." With the tightening of financial control, one other physical control can also be removed: local authorities will henceforth be left to determine the size of their own housing programmes.

All this should represent a major step towards reality in housing finance; and it can never be too frequently repeated that the motive for reform should not be jealousy of people who have hitherto been getting their houses too cheap—it should be ample that the distortions caused by the present system have meant that, with more house room available than before the war, a lack of adequate housing on the market has caused intolerable unhappiness among young people. The next step towards reform will lie in the review of the Rents Acts. If the Government were really far-sighted, it would abolish these Acts altogether.

Geneva Fizz

THE background against which the western and Soviet foreign ministers have gathered in Geneva is more complex and animated than was foreseen when the present conference was scheduled by the heads of government in July. Sunday's vote in the Saar is on the western ministers' minds, and Mr Sharett is on Mr Molotov's tail. There was little trace of the "Geneva spirit" in the Soviet bloc's new attempt to foment war in the Middle East, or in the blustering threats which Mr Khrushchev recently uttered to Mr Lester Pearson. Even the deathly hush that had lain over the Far East while the Sino-American talks began their quiet course in Geneva was broken this week by two minor but significant Chinese actions: a fresh bombardment of Nationalist-held Quemoy, and a sudden statement of claims to Portugal's tiny colony of Macao. Some at least of these Communist actions were doubtless meant to impress on the West the fact that the Russians are at Geneva to negotiate not from weakness but from strength.

If that meant that Mr Molotov was simply intending to stick to the letter of the unacceptable terms hitherto demanded by Russia (which include the winding

up of Nato and a complete American withdrawal from Europe), the western ministers at Geneva would at least have a clear, if barren, prospect before them. The West comes to Geneva with an agreed and reasonable programme; a straightforward show of Soviet intransigence would help the world at large to realise how reasonable that programme is. But it would be rash to assume that Mr Molotov's tactics will be at all straightforward. The Russians must have given much thought, in the past three months, to the best way of opening up fresh rifts in the western front by appearing to concede parts of the West's terms, while withholding the essentials—much as they did earlier this year in regard to disarmament. The Soviet press's comprehensive rejection in advance of all western proposals about European security does not bind Mr Molotov in any way. He knows that the West Germans are still fearful of any shift by their three allies in the direction of a security agreement that would leave Germany divided; he must have noted the unease with which some members of Nato, at this week's Paris meeting, greeted the idea of a system of guarantees which might include some of them and exclude others. It will be surprising if he does not see what discords can be created by playing on these keys.

Mao Drives the Peasants Harder

THE Chinese peasants have just been warned that they must travel faster along the road leading ultimately towards collectivisation. This is the real meaning of the lengthy resolutions issued by the central committee of the Chinese Communist Party. The new line is not brand new, as it is based on a speech made by Mao Tse-tung himself at the end of July, but unpublished until now. The most striking aspect of the affair is that Mao then explained his drastic plans to a meeting of regional secretaries of the Communist Party, but did not bother to reveal them to the National People's Congress, which was in session at the time, and which, on paper, is supposed to be the supreme body in China. There were good, if cynical, reasons for this secrecy. It is rash for even the boldest government to proclaim a new collectivisation drive just before the harvest; and the NPC session in July was largely preoccupied with reassuring a restive peasantry which had gone short of food in the preceding months because of the government's large compulsory purchases. Now, with what seems to be a good crop brought in, and a large part of it safely in the state warehouses, the deputies, together with the rest of the population, are at last told their master's plans.

The objectives of the new drive are clear. By the spring of 1958 half of China's 110 million peasant households are to be amalgamated into producer co-operatives, which are the halfway stage to collective farms on the Soviet model. In the northern and north-eastern regions of China the proportion should be much higher by then, and the setting-up of integrated *kolkhozy* should have actually begun. The "social transformation" of the countryside is to precede the provision of modern agricultural equipment.

Neither Mao Tse-tung, however, nor the central committee explains precisely how the pace of collectivisation is to be stepped up. "Right-wing deviationists," unable to understand that industrialisation will prove impossible with-

out a rapid spread of co-operative farming, are now being attacked, and the slogans of class war in the countryside are being proclaimed with new vigour. Yet the resolutions still insist on the "voluntary" character of the new drive. New measures have been introduced to make it more difficult for the peasants to contract out of the co-operatives, which are also to benefit from greater state assistance; but these steps alone will not be enough to achieve the new and more ambitious targets. It remains to be seen how Mao Tse-tung intends to preserve the "voluntary" character of the operation without himself falling into a "right-wing deviation."

Heir-Apparent for Dr Adenauer?

THE Saarlanders' repudiation of Dr Adenauer's agreement with M. Mendès-France is a blow to the Chancellor's prestige, particularly as it has been widely approved by the German politicians and press. Coming while he is still ill, and within sight of his eightieth birthday, this reverse has increased speculation about his successor. Dr Adenauer himself has the fault of most strong personalities who feel they have a mission to perform which no one else can take over. He has not picked any successor from his entourage; but it is high time that the Christian Democratic Party took the initiative and presented an heir-apparent to the eyes of the world. Germany's allies have for so long become accustomed to dealing with Dr Adenauer, and have always felt so certain of his power to manage his cabinet and swing the public, that his retirement would leave a yawning gap. The confidence built up over the years would be shaken, particularly if the new candidate were a dark horse. There is everything to be said for starting now to prepare for the inevitable change in Bonn.

In recent weeks, inspired speculation has centred round the names of two leading Christian Democrats: Herr Schaeffer, the Minister of Finance, and Herr von Brentano, the Foreign Minister. Herr Schaeffer, who is a Bavarian, is an unknown quantity as a political leader, though he has proved that he can handle the country's finances skilfully and cautiously, within the limits imposed on him by the federal constitution. Herr von Brentano is said to have done well at the foreign ministry, and he is being praised as a politician who can talk with Herr Ollenhauer more fruitfully than Dr Adenauer. This is important, because many politicians in Bonn, supported by a large section of the press, think that a coalition with the Socialists should be formed after an interim period during which a bi-partisan foreign policy would be followed.

The choice of a new Chancellor may thus fall on a man able to work with the Socialists and adjust his views on internal policy and Germany's western alliance to meet Herr Ollenhauer's. The Socialist leader has indicated his readiness to co-operate in the government on these terms; but it is not easy to know precisely what is the policy to which the future Chancellor might have to adapt himself, for Herr Ollenhauer often speaks in riddles. On two issues, however, he has recently made himself plain enough. He wants the western powers to release Germany from Nato, and he would like to see a certain amount of socialism introduced into the Federal Republic in order to facilitate reunion with the Soviet Zone.

Better Defence Planning

THE changes in the organisation of defence announced by the Prime Minister this week fall a good way short of recent proposals for drastically reforming the high command and integrating the services in accordance with the revolutionary implications of nuclear warfare. Nor do they fulfil widespread predictions after Sir Anthony's words on the subject at the Conservative annual conference that the service ministers would be subordinated to the Minister of Defence (probably involving ministerial changes). Sir Anthony's "comparatively modest step" does, however, strengthen the Minister of Defence in a number of ways. The new chairman of the Chiefs of Staff is responsible to him directly, though the Chiefs of Staff remain collectively responsible to the Government, and any one of them can make a minority statement of dissent. But pressure on the Chiefs of Staff to think in terms of integration should increase. Perhaps no less important is Sir Anthony's statement that the Minister of Defence's responsibility for allocating resources between the three services extends to a responsibility for ensuring that the composition of forces within individual services conforms to the Defence Committee's strategy. Reinforced by his greater control over the Ministry of Supply and his direct responsibility for all the services in home defence, this provision should enable the Minister of Defence to take a hand in the affairs of the individual service ministries.

But Sir Anthony endorsed the basic policy for defence organisation worked out in the Defence White Paper of 1946, though in practice it left the Minister of Defence little more than a chairman of committees; and recalcitrant service ministers, or their staff, may continue to take refuge behind this. The Minister of Defence seems to have no direct powers over the service ministries; committee rule, so bitterly criticised by Field Marshal Montgomery, remains. Possibly the promised White Paper will make inter-service relationships clearer. Meanwhile, the Minister may be able to prepare the ground for more thoroughgoing changes in the future. The appointment of Marshal of the Royal Air Force Sir William Dickson as chairman of the Chiefs of Staff committee makes it clear that the paramount importance of looking at strategic policy from the point of view of air power is fully realised. This is a hint, if no more, to the service ministries; but much will depend on the vigour and diplomacy of Mr Selwyn Lloyd and Sir William Dickson.

Second Thoughts on Teachers' Pensions

THE teachers will be unwise if they draw any hastily unfavourable conclusions about the new scheme for their pensions, which was announced by the Ministry of Education last week. This scheme has more important differences from, than similarities to, the one that brought such a storm on Dame Florence Horsbrugh's head (and, indeed, eventually lopped that head off) early last year. What offended the teachers then was that the 1954 Bill—which was dropped without reaching a second reading—would

have raised their contribution, and the employers' also, from 5 to 6 per cent without many countervailing advantages. They were unimpressed by the talk about an actuarial deficiency of £194 million while there was an actual credit balance of £232 million. They could point out, too, that many pensions schemes in industry were being allowed to show an actuarial deficiency without any fuss about raising contributions, and that teachers were the only public servants who were to pay more for this reason.

Those arguments will be heard again, for the new scheme still requires the teachers to pay 6 per cent. But it contains several minor favours, and one really major concession, to them. The minor favours are mainly of a book-keeping nature. The credit balance is to earn 3½ per cent, instead of 3 per cent as in Dame Florence's scheme; and the Government will meet all the existing actuarial deficiency (which has meanwhile grown to over £200 million), instead of only two-thirds of it as originally proposed. But the major concession is that if any new actuarial deficiencies arise in the future—and they will recur if (which means when) teachers' salaries are raised at any time in the future—then these deficits will be met by the local authorities, while the teachers' contribution will remain constant at 6 per cent. The extent of this concession can be gauged by a single hypothetical statistic. At present, at least in theory, teachers are supposed to pay half the ultimate cost of pensions. Under the new scheme, if prices rise by, say, an average of 2 or 3 per cent a year, and if teachers' salaries rise correspondingly, then a teacher entering the profession now and retiring after 40 years would have about two-thirds of his pension paid for him by someone else. The teachers will no doubt have several minor points to argue about the new Bill. But if they raise as great a storm about it as about the old one, they will be showing a poor sense of proportion. They will also deserve far less sympathy.

Restrictions and the Unregenerate

THE counter-attack on the coming Monopolies Bill has begun, with a remarkably unregenerate list of "recommendations" to Mr Thorneycroft from the National Union of Manufacturers. Under Mr Thorneycroft's promised Bill, it will be remembered, there is to be a call-up of successive restrictive practices that are regarded as *prima facie* against the public interest, and any trade association that wants to be allowed to continue them will have to prove its case for doing so before a new tribunal.

The Num's "recommendations" are nominally concerned with the procedure and staffing of this tribunal, which it naturally wishes to see as loaded with lawyers and as free from economists as possible. But the scheme that eventually emerges from its proposals would be the exact opposite of that outlined by Mr Thorneycroft. Instead of obliging a trade association to defend condemned practices before a tribunal, the Num suggests that the burden of proving that a restrictive practice is contrary to the public interest should be put upon a law officer pleading before a High Court judge (and with provision for appeals); moreover, no attempt should be made to define to the tribunal (which would mean, to this judge) what is and what is not contrary to public policy. The Num believes that the

tribunal should decide this point itself, and that it should have "regard to the body of existing law" in doing so. This last proposal—that a measure that is supposed to implement a radically new policy and new system of law towards monopolies should not have anything to do with new policy and new law—shows that the Num clearly has no idea what the present fuss over monopolies is all about. Evidently, some manufacturers believe that the new tribunal, so far from being a rod for their back, can be turned into something quite different: into a clutch of economically uninstructed lawyers, bound by existing law, who can be played off against the ordinary interventions of the Monopolies Commission. It is to be hoped that Mr Thorneycroft will quickly disillusion them.

The Evatt Case

IN the debate on Dr Evatt's attack on the inquiry into the Petrov case, Mr Menzies aptly said that the Labour leader had put himself on trial. Dr Evatt's appeal to Mr Molotov to deny what an impartial commission including three leading Australian jurists had affirmed has astonished Australian public opinion and given Mr Menzies an easy task. To charge a Royal Commission with misrepresentation and failure to realise that documents are forged is dangerous enough; but to do it in the teeth of so much corroborative evidence seems to be wild beyond belief. Mr Menzies had no difficulty in pointing to the identification of scores of Communist agents as the result of Petrov's disclosures. He was also able to appeal to "all Labour men who believe in decent standards" not to become involved in what was in effect a Communist assault on Australia, and thus to widen the breach between the two wings of the Australian Labour party. Just as Mr Menzies could enjoin Liberal candidates at the last election not to use the Petrov affair as an electioneering missile (as he knew that it had done its work), so he is now able to announce the date of the next election ostentatiously after the debate, to keep the exhibition which the leader of the Opposition has made of himself separate from the election issue—well knowing that the public will draw its own conclusions.

The problem of motive remains. It is only a few months since Dr Evatt crushed the Catholic Action revolt in his own party and won a dramatic victory for his own leadership in Victoria, and at least dented his opponents in New South Wales. But his obsession with the Royal Commission has now put his party at a grave political disadvantage, besides reopening all its wounds. The Australian newspapers, recounting Dr Evatt's distinguished career as jurist, diplomat, Australia's spokesman at the United Nations, and leader of the Opposition, can find no explanation for his political folly in so closely identifying himself with the Communist cause. His judgment seems to have become steadily more fallible in recent years; and, observing what an Australian MP described as the "decay of a once fine mind," his party seem more likely than ever to go through convulsions in the effort to produce a new leader. If Dr Evatt survives until December, his political future will certainly depend on the outcome of the election.

Judgment Day in France

PARIS is full of surprises these days. The admission of M. Jean Cocteau, so long the *enfant terrible* of French arts, to the conservative French Academy was no more startling than the prospect that the National Assembly may voluntarily decide to end its own life. True, it is not yet certain that the Assembly will agree to dissolve itself in December rather than wait for the end of its natural term next summer. Despite M. Faure's claim that, with vital decisions to be taken next year, it is essential to consult the electorate as soon as possible, his opponents are arguing that such a manoeuvre would only distort the nation's verdict. But if the Prime Minister gets his way, it will be difficult to lament the passing of the present Assembly. Except when, as in the case of Indo-China, a crisis has forced action on it, its divisions and indecision have contributed greatly to the apparent paralysis of the Fourth Republic.

The danger is that a new Assembly will be no more than the image of its predecessor, and M. Faure's critics accuse him of working to this end. The opposition alleges that the government is trying to improve its chances by hiding from the nation the cost—in terms of both men and money—of its North African policy; and that it is attempting to get a quick decision before the electorate has realised the full consequences of the government's wavering and hesitant course. M. Mendès-France has declared that the request for an early election is merely the "ultimate expedient" to avoid a clear judgment by the nation.

Some critics also claim that the electoral law must be altered before an election. A change in the method of voting would undoubtedly affect the results considerably; but the struggle over electoral reform is subsidiary to the main battle—that of timing. The conservative majority fears that it will lose some votes to the extreme right wing, and even more to the left if the latter are given time to organise their attack. The opposition wants time to prepare its campaign, to weld electoral alliances together, and to publicise the government's deficiencies. The later the election, the further the pendulum is likely to move to the left.

Mr Diem's Lucky Colour

THE result of the Vietnamese referendum was a foregone conclusion. A barely literate voter was unlikely to opt for Bao Dai, portrayed in traditional robes against a background of (unlucky) green, rather than for a smiling Mr. Diem surrounded by young people against a backdrop of (lucky) red; and still less likely to make the negative choice of declaring that "I do not depose Bao Dai and do not recognise Ngo Dinh Diem as chief of state with the mission of establishing a democratic regime." With the scales so weighted, it was surely unnecessary to make the gravitational pull of Mr Diem doubly certain by dubious means, and it seems a pity that the number who voted in the Saigon-Cholon area is reported to have exceeded the total of names on the register by 150,000.

The alacrity with which both the Americans and the French accepted the fact of Mr Diem's success has raised a few eyebrows in Whitehall, where there was, at that stage, a continuing desire to observe the diplomatic niceties. In view of the circumstances in which the Bao Dai regime had been internationally recognised, the tendency in London was to await formal notification of the results of the referendum before announcing recognition, or, hypothetically, the reverse. Outside official circles, there is even more surprise at the haste with which the French have dropped the man whom they themselves had chosen, albeit reluctantly, as chief of state, and for whose later evolution they bore some measure of responsibility.

In view of the remoteness of Vietnam and the complexities of its politics, it seems desirable that the British public should realise the exact nature of the *fait accompli* that confronts it. The referendum in southern Vietnam was clearly an instrument of power, rather than an accurate reflection of the popular will. It changed nothing in that Bao Dai had long ceased to exercise effective control over his government in Saigon; but it provided a firmer international standing for Mr Diem, and, by inducing several million voters to commit themselves in his favour, it further discouraged his opponents in the south.

It should not, however, be assumed that Mr Diem has any intention of "establishing a democratic regime." The forthcoming general elections in the south, while they will ensure that the letter of the Geneva agreements is deadlier than ever, are unlikely to bring democracy in the western sense any nearer to Vietnam; nor is the inquisitorial and authoritarian character of Mr Diem's rule likely to be relaxed. He is clearly inclined to interpret his new presidential functions not on French or even United States lines, but rather on the model of certain Latin American presidents. Yet it must be admitted that if southern Vietnam has to be held together by a dictator, his dictatorship should be an effective one. And that alone may be reason enough to recognise the deposition of Bao Dai.

Underpinning the Liberals

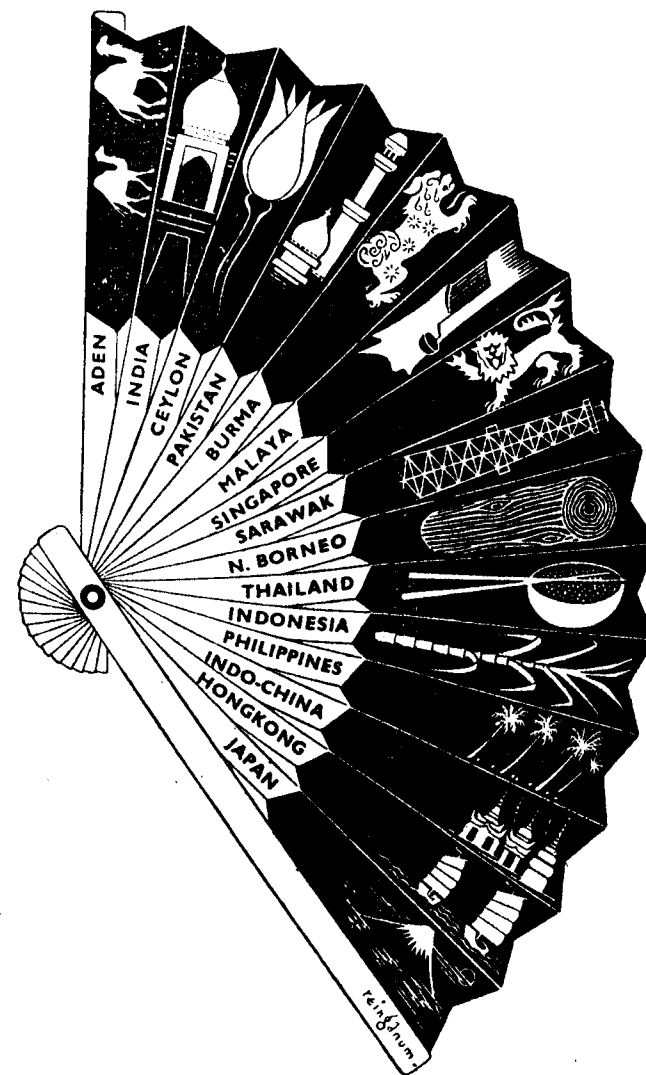
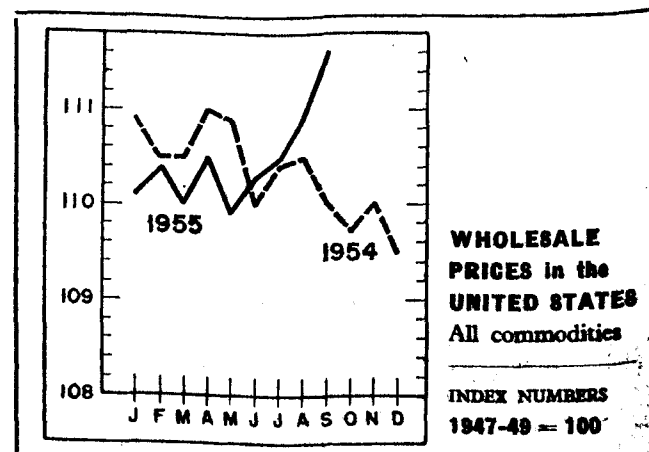
THE Liberals' announcement that they will fight the next election on a wider front may be merely a sign of their determination to hearten themselves; but it may also spring from their fatal misunderstanding of electoral logistics. A wider front will certainly be worse than futile if the party does not improve its constituency organisation out of all recognition. The curse of the Liberals in recent years has been their extraordinary obsession that it is possible to build a house from the roof down; and it is depressing to find them now setting up yet another national body, a general purposes committee which one suspects will spend most of its time getting into the hair of such professional organisations as the party possesses. But there are signs that they may be going to make a serious attempt to build some foundations in the constituencies. For a start local associations will be encouraged to carry out a simple canvass, designed to provide at least a card index. This should have been done long ago; it is a sign of realism that it is to be done at last. If, as is promised, this is to be the start of a two or three year drive to strengthen the party's

grass roots, then a modestly widened front could become a reality.

But the Liberals should recognise how limited must be their objectives. The best they can soberly hope for at the next election is to retain their present six seats and win two or three more—and even that would represent an immense achievement. For the rest, the party can only hope to make an impact on the electoral positions, and therefore the policies, of the two major parties. This, of course, is where the wider front argument comes in. If, say the enthusiasts, you have a candidate in every division you will frighten the other parties with your big national poll. That is entirely the wrong argument; the other parties can only be shaken in the small number of constituencies where Liberal votes hold the balance, and those are already perfectly well known. The only tenable argument for more candidacies in hopeless seats is that some candidacies may be necessary to keep local organisations alive; but there are dangers in pushing even that argument too far. In 1950 the party polled over 2½ million votes, but of its 478 candidates, 319 lost their deposits, and in the process the Liberals became a music hall joke. It would be a pity to court that catastrophe again.

Does the Call-up Hurt?

THE belief held by many parents, and some Labour MPs, that national service is injurious to the education and careers of national servicemen is not borne out by the Ministry of Labour's inquiry into the subject. Published under the unwieldy title, *Report on the Enquiry into the Effects of National Service on the Education and Employment of Young Men*, the results of the inquiry show that a very high proportion of the young men interviewed could be regarded as settled in employment or undergoing further education after completing their service. They were grouped according to their educational condition on being called up; and even for the most unfavourably situated group, those who had left school before reaching the age of 15½, the percentage of those who settled down satisfactorily was 88, while for boys who left school only three to six months before enlistment it was 96. But a large minority of the young men themselves were still convinced that national



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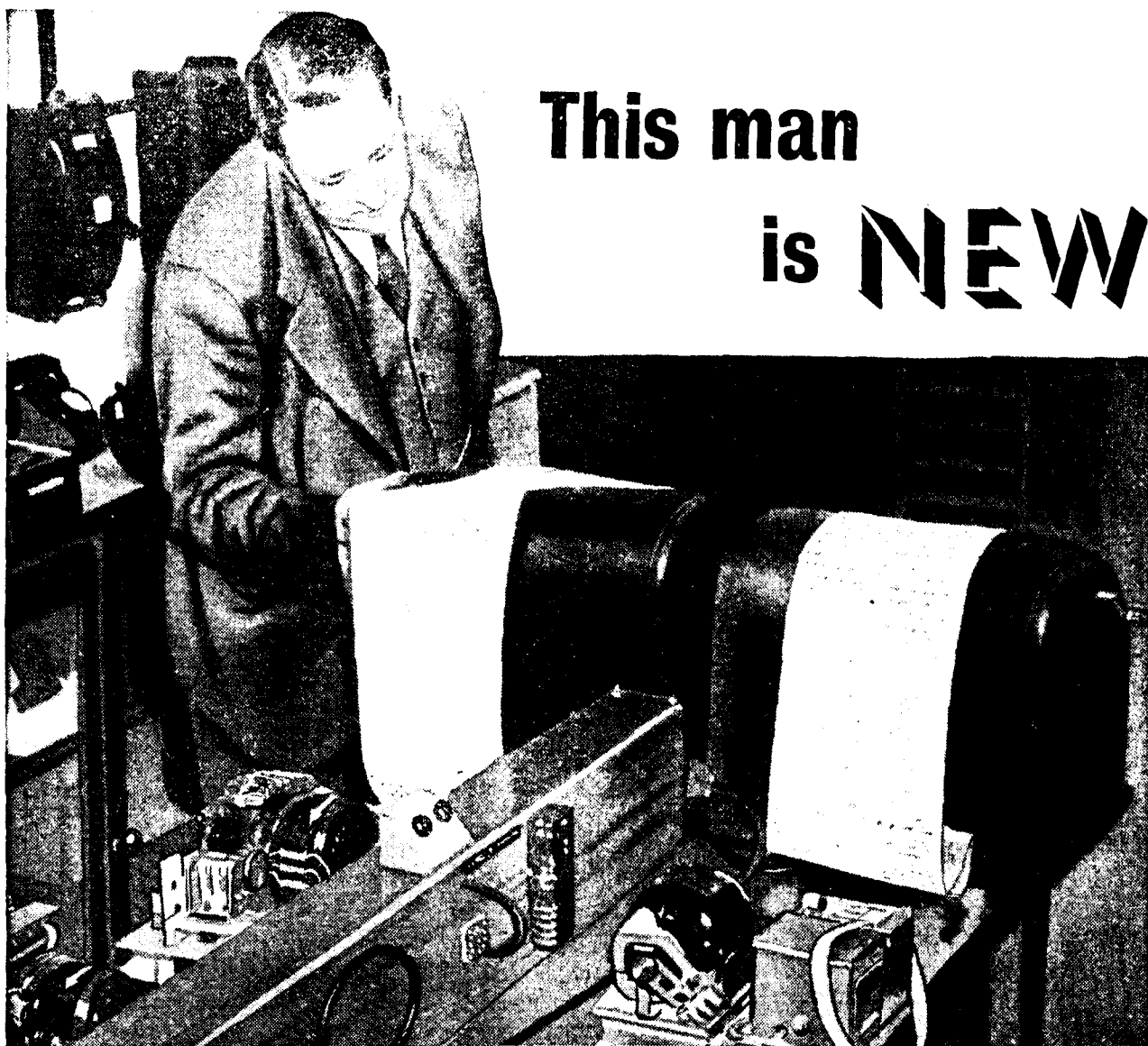
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service had changed their position for the worse. Over 30 per cent of those who had, within the definition of the inquiry, settled down believed that they were worse off; among those considered to be unsettled 40 per cent agreed that they were worse off (as against 17 per cent who thought they were actually better off). The definition of being settled, however, was simply being in regular employment or under systematic training; disappointed ambitions of still higher things could hardly be assessed in a factual investigation.

In general only ten per cent of those who were interviewed (the sample was ten per cent of the annual intake of national servicemen) failed to settle down; and it is clear that nearly all of these had led pretty unsettled lives before being called up—a high proportion of them had held more than four jobs between leaving school and enlistment. This, in the view of the report, exonerates the services, but makes it particularly necessary to give vocational guidance to boys who leave school early and face a prolonged transitional period before being called up. Evidently it will be the more necessary as the call-up age increases. The problem of finding better fittings for the misfits remains, and goes beyond vocational guidance. What the inquiry could not confirm or deny is whether the services improve the chances of many boys who would otherwise not settle down well in employment. The services believe that they do; and there may be some evidence for their view in the fact that two-thirds of those who had held over four jobs before enlistment subsequently were found to have settled down happily enough.

Home Truths for India

A PUBLIC defence of Britain's foreign policy has been long overdue in India, and both speaker and venue were well chosen when the Secretary of State for Commonwealth Affairs offered one in a talk to the Indian Council of World Affairs last week. It is extremely rare for the head of this ministry to make public statements which would not come equally harmlessly from royalty, but India's attitude to Nato and Seato, and the harm done by the suggestion that the provisions of Nato would extend to Goa, gave Lord Home the right to take over from Mr Nehru for once the role of candid friend. Mr Nehru is big enough to accept a British minister's right to state the case for the alliances in India, just as he usually states the Indian case against them when visiting London. But the unison with which the Indian press suppressed vital parts of Lord Home's address is regrettable and ominous; it extended apparently even to newspapers which are normally ready to give space to the unpopular point of view. Does this mean that India's doctrine of neutralism is now sacred and beyond criticism, while the Indian press freely reads the worst of motives into other peoples' alliances—whether those of Britain, Pakistan or the United States?

Neutralism suits the climate of Indian opinion well; it imparts an aura of high moral purpose; it is theoretical and Brahminical. It is largely made possible by the readiness of nations on India's flanks to defend themselves in concert. It permits India to share in the Colombo Plan,

which is held to be moral, but to stand aloof from the defence talks of the other Commonwealth Prime Ministers, which are not. Lord Home tried to make it clear in Delhi that defensive alliances were a natural and necessary reaction to the Communist bloc's monolithic, heavily armed, and expansionist system; and he warned India that neutrality has no meaning for world Communism. But apparently the Indian public is not to be allowed to hear this point of view. If this mental isolation in self-righteousness persists, Indo-British relations will increasingly lack the mutual understanding on which so much practical co-operation between the two countries is based. Lord Home did right to try to clear the air a little. His efforts lent reality to his office at the climax of a useful Commonwealth tour.

An Undignified Wrangle

As *The Economist* goes to press the UN General Assembly is making yet another attempt to agree on the disputed candidacy to the Security Council. It is to be hoped—but unfortunately cannot be taken for granted—that it will succeed. It is also to be hoped that it will take steps to avoid further repetitions of this undignified and time-consuming wrangle which since 1949 has cropped up with dreary regularity whenever the seat allotted to Eastern Europe under the 1946 "gentlemen's agreement" has fallen vacant.

For the last six years Yugoslavia, Greece and Turkey have filled this seat in turn and always, of course, in the teeth of Soviet opposition. This year the argument should have been shorter since the Russians, who in 1949 protested passionately against the election of Yugoslavia (Mr Vyshinsky went so far as to call it "a violation of the Charter"), soon abandoned their original candidate, Poland, in favour of Yugoslavia. The latter, being now *persona grata* to both East and West and geographically an indisputable part of eastern Europe, seemed to many other delegates, including the British, a good compromise candidate. But last week the Americans stuck doggedly to their original choice, the Philippines, and neither candidate managed to secure the necessary two-thirds majority.

The American argument, that the non-Commonwealth Asian countries that have achieved independence in the last ten years are without adequate representation on the Security Council, is a perfectly valid one. But it is no excuse for flouting the 1946 agreement on the distribution of the non-permanent seats in a way that is all too patently designed not merely to give the Asian states more representation but also to give the Communist bloc less. After all, so long as the Great Power veto exists, it makes no vital difference whether or not the Russians have an obedient echo in Security Council debates, while to deprive them of it does give the Communist bloc a legitimate grievance. The answer surely is to accept Yugoslavia as a compromise this time and to revise the 1946 agreement (which the Assembly clearly cannot manage without) so that one of the two seats now enjoyed by the Latin American bloc goes to a non-Commonwealth Asian country.

Apartheid à la Mode

UNDER Mr Strydom, the South African government's racial policies are beginning to wear a new look. Recently there have been intensive efforts by Nationalist spokesmen to win the Africans over to *apartheid*, the policy of racial segregation. But this intriguing shift of emphasis towards persuasion rather than naked imposition does not mean that Mr Strydom is turning away from the policy of his predecessor; his long-term aims are the same as Dr Malan's. He is, however, a younger man, and has more time.

It should not be too readily assumed that the Nationalist policy of wooing the African will fail. Indeed, it has already achieved some startling successes. Not long ago, a candidate who openly endorsed *apartheid* nearly succeeded in winning a seat to represent Africans in parliament. The energetic Dr Verwoerd, Minister for Native Affairs, has stumped the country explaining his policies to mass meetings of Africans, and even his opponents admit that this novel policy (in the South African context) has created a deep impression. More recently, the emphasis has been on economic developments. A number of government spokesmen have been proclaiming that the policy of industrialising the Native Reserves — territories set aside for exclusive African occupation—will be the salvation of the Bantu races. Plans for investing £115 million in these areas have been mentioned. There are two views on the economic wisdom of shifting the industrial centre of gravity to these largely underdeveloped regions. But the government seems to have made up its mind and intends to disregard the expert findings of the Tomlinson Report, which apparently—it has been suppressed—was unfavourable to the project.

Meanwhile the Nationalists are pushing ahead with other parts of their *apartheid* programme. At the cost of great injustice, and still greater confusion, the business of reclassifying the population in terms of the Population Register Act of 1950 is going ahead. People whose families had for generations regarded themselves as Coloured are being reclassified as Natives; others who called themselves white have been arbitrarily termed Coloured. Already 7,000 "difficult cases" have been reclassified and some 260 people have given notice of appeal; but the Minister of the Interior has not yet set up the board which will hear them. The urgency with which this far-reaching measure is being pushed through suggests that Mr Strydom is sensitive to suggestions, such as that made in the recent UN report, that the inherent impracticability of doctrinaire *apartheid* is being revealed by a slowing down in its application.

One Step Behind

THE London County Council's decision to raise rents and impose a "lodging charge" on its housing estates is not, as might be supposed, an intelligent anticipation of Government policy but a very belated adjustment to meet rising costs. The rents of almost all post-1919 dwellings will be raised by an average of 3s. 6d. a week, and tenants will be charged an extra 2s. 6d. if they have one lodger and

5s. for two or more. The extra revenue will amount to about £1.8 million a year, but two-thirds of this is required to meet the extra cost of repairs and renewals, which has been covered in recent years by the expedient of running down balances.

The increased charges are in themselves fair enough. Rents will be raised by widely varying amounts, according to the amenities of different dwellings. The lodger charge will not be applied to old people living with their children, but it will include—very reasonably—the 15,000 married sons and daughters who are believed to be sharing a dwelling with their parents. But, although administratively simple and fair, the lodger charge is a rather unsatisfactory expedient. The present charges will yield relatively little revenue; but if they were raised, they would have the bad effect of discouraging an economic use of house-room—and thus lengthening further the LCC's waiting list. This is just what a sensible rents policy should be designed to avoid.

The LCC has in fact again postponed the more drastic overhaul of its rent policy which is clearly necessary. The increased charges now levied will suffice to keep pace with rising costs, but will do nothing to bring about the economies called for by the Government's new housing policy. Thus the London ratepayer, who is already contributing annually twice the amount of his statutory obligation towards the cost of housing, may be called on for still more; while the average LCC tenant will be spending, even after the new increase, a smaller proportion of his earnings on rent than in 1946. Despite these facts the chairman of the housing committee, Mr Fisher, could still hope last week that a further review of rents could be avoided "for some time at least." By now, he may doubt it.

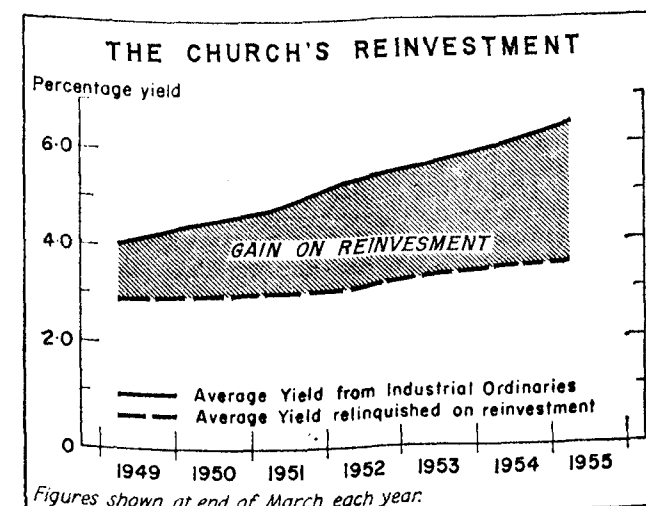
Stocks and Stipends

THE Church of England has lately taken to explaining its finances to the public, and last year the Archbishop of Canterbury held the first press conference on the subject of the annual report of the Church Commissioners. Last week not only was another press conference held, but the Commissioners issued, in popular form, with diagrams, a shortened version of the report that they must annually present to the Home Secretary.

This shows that the Commissioners have continued with the rearrangement of investments which was begun in 1948, and which largely takes the form of switching from gilt-edged securities into equities. Out of £19.6 million worth of securities sold in the year ending March, 1955, £18.6 million worth were gilt-edged; and of £19.4 million worth of securities bought, £13.2 million were equities. The total amount invested in industrial ordinaries rose from £3.5 million in 1949 to £40.6 million in 1955. Even so, however, over half the portfolio is still in British Government securities.

The object of these operations is not primarily capital appreciation. The Commissioners, for example, did no hasty selling before the recent slump in share prices. Their main object is to increase the yield on the portfolio, and how successfully this has been achieved is shown in the diagram on the next page.

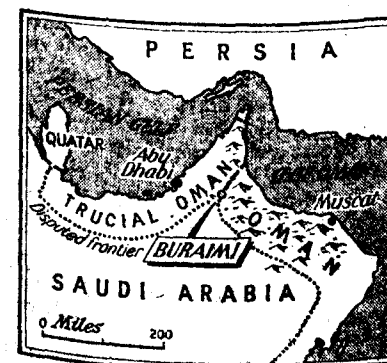
In all, the Commissioners' income increased by £1.4 million, to £10.5 million. This has enabled them, among other things, to continue the good work of supplementing parsons' stipends and pensions, and of improving parsonages: objects that fall within the statutory limitation of "purposes directly concerned with the cure of souls and the living Ministry of the Church." The grants for stipends (which the dioceses distribute at their discretion), have mounted steadily and have now reached



an annual sum of £1.4 million. Almost no incumbent now gets less than the minimum income of £550 a year, plus a free house and his Easter offering up to £50 (but alas, the average Easter offering is only £15 and the parson pays tax on that). About half the dioceses have been able to set their own minimum above £550, and the Archbishop looks forward to a new minimum of £600 and later of £750. Further switching of securities may raise yields rather more, but the new targets will not be achieved without redoubled generosity on the part of the laity.

Straight Issue at Buraimi

THE Trucial Oman levies, which are British officered, but were acting at the behest of two Arabian rulers—the Sultan of Muscat and the Sheikh of Abu Dhabi—have this week moved against the Saudi Arabian "police" force that was squatting, by agreement, in the disputed oasis of Buraimi. There were no fatal casualties, and the motive behind the act, which is supported by the British Government, was to "resume previous control" of the oasis because settlement by arbitration had failed. The distorted course



of the arbitral proceedings was described in *The Economist* of September 24th; they have since become wholly abortive owing to the resignation of the Belgian and the Cuban jurists on the panel of arbitrators—proof that no international lawyer who

values his reputation will sit in the conditions created by Saudi bribery.

The real issue at stake is the survival of the sheikdoms of the Trucial coast as independent units. Some of these are known and all are suspected of possessing large oil resources; Saudi appetite for these is insatiable, and were it not for the British protection accorded in the nineteenth century, a Saudi advance seaward would no doubt have taken place long since. It nearly occurred in Kuwait in 1921; it was tried again at Buraimi in 1952. Were it to succeed at any one point, a precedent would be set for further Saudi bites at the cake.

The coastal rulers, and the oil companies who work for them, have a British flag to thank for immunity from pressure. Contrary to popular belief, these oil companies are not exclusively British. Those which are American include the Gulf Oil Company in Kuwait, the Standard Oil Company operating in Saudi Arabia is exclusively American, and the Standard Oil Company of New Jersey and Socony in Qatar and beyond; the interested French company is the *Compagnie Française des Pétroles*. Because the oil company operating in Saudi Arabia is exclusively American, and that in Abu Dhabi is British-managed, onlookers tend to rate the Buraimi quarrel as an Anglo-American one. In fact, the State Department has protégés on both sides.

From Sagres to Salazar

A FOUNTAIN of historical journalism has gushed up to greet the state visit to London of the President of Portugal, raising before the British public's eye not only the Iron Duke and the lines of Torres Vedras but also such remoter figures as John of Gaunt, Philippa of Lancaster, and her son, Henry the Navigator—the *Infante de Sagres*, as the Portuguese name him, after the bleak headland where he planned Europe's first great oceanic ventures. The press has, perhaps, insisted too much on the remarkable continuity of England's "oldest alliance." The 14th-century treaty did not prevent the 17th-century naval battles which enabled the English to establish themselves on the west coast of India, nor did it bring England to Portugal's rescue in 1580. But it may have seemed an incivility to recall these things when saluting a very welcome guest. Friendship between Portugal and Britain is real enough today, however tenuous it may at times have been in past centuries.

It is curious, however, that this week's intensive exploration of Portuguese history has not given prominence to the fact that the second centenary of the great Lisbon earthquake falls next week. Admittedly, the tragic cataclysm of 1755 would in itself be an unnecessarily gloomy memory to evoke at this moment. But to recall it is also to evoke the memory of the great work of reconstruction and modernisation in Lisbon carried out by the Marques de Pombal. In his vigour, his many-sidedness, and the dictatorial powers that enabled him to put through sweeping reforms, Pombal foreshadowed Portugal's present Prime Minister. But Pombal's fatal mistake was his complete failure to prepare a successor. Dr Salazar, for his part, has admittedly trained a whole generation of competent administrators. But the question remains whether any of them could take over the premier's unique role. Will his system remain workable when it no longer pivots on his highly individual personality?

Letters to the Editor

The Lisbon Story

SIR—I was painfully surprised to read in your issue of September 17th a letter by a Mr A. Ferreira, of Lourenço Marques, making an underhand attack on Dr Salazar, the Portuguese premier, who raised the country from the dust heap to its present-day prosperity and prestige. That does not look very much like treating its nationals as "cattle"; at any rate, the overwhelming majority of Portuguese do not think so. Only a tiny minority—mainly professional troublemakers—keeps raising the worn-out bogey, "lack of political freedom." The only political "freedom" denied to the Portuguese is that of making political "nuisances" of themselves.

It was the unscrupulous use of unrestricted political liberties which brought the country to the very edge of bankruptcy, with scores of revolutions and utter misgovernment, from 1910 to 1928. Happily, that period is now over. —Yours faithfully, PRAIA MONTEIRO
Lisbon

Hire Purchase in Restraint

SIR—The real effect—or lack of it—of hire purchase restrictions on motor cars (Mr I. C. H. Burton's letter, October 15th) cannot be assessed without a comparison of new car registrations with hire purchase car sales. Such a comparison discloses that no hire purchase restrictions will affect new car sales, for the simple reason that only a very small proportion of new cars are sold on hire purchase.

It is likely that over 150,000 new cars were registered since July, when hire purchase restrictions came into force. Of these, only 20,375 were sold on hire purchase, a little over 14 per cent.

If the Chancellor, in his unenviable position, can have regard to economic facts and economic justice, he should certainly reduce the minimum deposit on old cars. Nothing short of new car rationing or a penal rate of purchase tax will affect new car sales.—Yours faithfully, R. LEWIN
London, N.W.3

Mr Diem Loses Favour

SIR—The article in your issue of October 8th reveals in melancholy fashion the failure of the French-educated Vietnamese élite to provide the example and the leadership that it should be its function to give in a national emergency. Moreover the pretensions and the capacity for destructive criticism shown by many members of this élite have tended to obscure the

real worth of the Vietnamese people. For the rural population of Vietnam, whose stubborn resistance to the Viet Minh has been based both on attachment to its traditions and bitter experience of Communist tyranny, have paid the major part of the heavy toll in blood and suffering exacted by nine years of savage civil war. Ill-equipped, practically unpaid, without medical supplies or expectations of disability pensions, they have fought stubbornly and obscurely, as members of militia and auxiliary forces, as guards, partisans and coolies.

May I suggest that the existence of this race should be remembered when the bland statement in your correspondent's article is read to the effect that, as an asset second apparently only to American aid, Mr Diem could count on the encouragement of most of the nationalist intellectuals who had remained neutral in the "Franco-Viet Minh" struggle.—Yours faithfully, J. D. LANCASTER
Roquevaire, Bouches du Rhône

White Collar Union

SIR—It is true that the new allowances for advanced work (proposed by local authority representatives on the Burnham Committee, prompted by the Minister of Education) were officially accepted by the NUT. But your Note of October 22nd does not indicate the state of affairs in the rank and file of the union. The scheme has been bitterly condemned by many NUT local officials and ordinary members, and NUT majorities on local committees have at times directed their efforts towards delaying the implementation of the award. NUT headquarters would do well to discourage this attitude, which can only foster disunity in the profession.—Yours faithfully, C. M. CUSWORTH
Lichfield

Elections and Electors

SIR—Your reviewer criticises Dr Ross for using fairly strong language about certain people; yet he did so, not because those people disagree with him, but because they disregard facts and use terms like proportional representation without troubling to find out what they really mean. The worst example—because its influence is greatest—is provided by the headquarters of our two major political parties. They have, of course, a perfect right to oppose PR if they want to. But in candidates' handbooks which give facts and figures about everything else that may conceivably crop up in a political meeting, there is

not to be found a single fact about what voting systems exist or in what countries they are used. Conservative and Labour speakers are left to make fools of themselves through ignorance of such facts as that France has never elected her parliament by any form of proportional representation except in 1945 and 1946.—Yours faithfully, ENID LAKEMAN
Timbridge Wells

The Oppenheimer Case

SIR—It is Mr Floris, and not I, who regards the Oppenheimer case as a "witch-hunt." For what animates witch-hunters but "fear" or "awe," as Mr Floris variously terms it? And how else do they behave but by substituting their own "repulsion" for the proper workings of the judicial process? Whether the ensuing tragedy is "classical" or not, I would not presume to say. But I believe *Othello* is in good standing amongst the critics, despite the considerable role accorded to "honest Iago."—Yours faithfully, YOUR REVIEWER

Officers and Gentlemen

SIR—I have a suggestion which may well relieve anxiety about the recruitment into the civil service, and provide a simultaneous solution to the difficulty of retired officers in finding suitable employment to eke out their inadequate pensions. It is that suitable officers, on being retired from the active list, should be offered a transfer to the equivalent grade in the civil service, for employment solely within the appropriate service department. By this simple expedient, any shortage in the executive or administrative classes—and, if the scheme were extended to NCOs, in the clerical class also—can be speedily and efficiently made good. Most officers who have been to staff college spend some time during their service career working in their respective service department and are familiar with the administrative routine of their service, so that they would need no additional training. Their first-hand experience of active service conditions would indeed render them more rather than less capable of appreciating the problems with which they would have to deal.

In fact, Sir, such an arrangement seems to offer every advantage. It increases the productive service which can be obtained from an officer, thus affording the Treasury a substantial economic saving; it assists the civil service by releasing the dwindling number of permanent civil servants for employment in other departments where their special talents can be more fully utilised; and it helps the services first by rendering a service career more permanent and hence more attractive, and secondly by ensuring that the service departments are staffed by men and women whose approach to service problems is more likely to be sympathetic and based on personal knowledge.—Yours faithfully, CIVIS SOLDATUS

Books & Publications

The Peacemakers

LES DÉLIBÉRATIONS DU CONSEIL DES QUATRE. March 24-June 28, 1919: Volume I and II. Paris: Centre National de la Recherche Scientifique. 521 and 579 pages respectively. 39s. or 1,800 frs. each.

THE last meeting of the Big Four at the Paris Peace Conference was largely occupied with an inconclusive discussion about how its records should be treated. Wilson argued that the records were private and that his successors would have no right to them; Clemenceau that they belonged to the French state. All were agreed that publication was undesirable, and although the record of one meeting was put verbatim into the official life of Wilson, the whole series, largely through British insistence, remained undivulged.

The first important publication was of excerpts from the diary of the secretary to the Italian delegation, Count Aldrovandi Marescotti, published in his books: *Guerra Diplomatica* (1936) and *Nuovi Ricordi* (1938). These excerpts included notes of what was said at meetings at which Italy was represented and matters affecting Italy discussed, with lively comments on the bearing and behaviour of the participants. The first formal publication was that of the minutes drawn up by Sir Maurice (now Lord) Hankey, which take up Volumes V and VI of the Peace Conference records in the official series "Foreign Relations of the United States." These appeared in 1944 and 1946. Now a decade later we have what is the most illuminating of the sources, the full notes of the Big Four's interpreter, Professor Paul Mantoux. They do not, of course, supersede the Hankey volumes, since they do not contain the documents around which the discussions went on; but they add to them in two ways. Thirty-seven of the meetings do not figure at all in the Hankey records because he was not present, and while Lord Hankey's minutes are in *oratio obliqua*—that interesting Whitehall survival of an educational system based upon the classics—Professor Mantoux's notes represent, like Count Aldrovandi Marescotti's, an attempt to reproduce direct speech. It must be noted that neither the Frenchman nor the Italian wrote shorthand and that M. Mantoux simply dictated notes each morning based upon his jottings for translation purposes of what had been said on the previous day. Even now, therefore, we cannot claim that we have the actual words exchanged; but we can follow the course of the argument point by point, and the

result is a vivid historical document.

Professor Mantoux calls attention himself to two important points arising from meetings not recorded by Lord Hankey. In the first place, his notes show how the inclusion in the treaty of article 231—the war-guilt clause—arose from an effort by Mr Norman Davis to find a formula that would justify the compromise reached on reparations between the Anglo-French and the American viewpoints. In the second place, the early sessions provide further evidence of the complexities of the dilemma presented to the peacemakers by the civil strife in Russia. Other points not arising from Lord Hankey's minutes can easily be added, both from the meetings before April 19, when he was not regularly present, and from later ones. From the former there is, for instance, a lengthy discussion on the question of criminal responsibility with regard to the invasion of Belgium and to German breaches of the laws of war; from the latter there are the efforts in Orlando's absence to deal with the problem of Wilson's opposition to Italian claims in the Adriatic and (with Venizelos's help) with their encroachments in Asia Minor.

This text should also serve to efface the fantastic picture of the peacemakers which we owe to the frivolous acceptance of Keynes's caricatures. What we see are serious statesmen well aware, as their later critics have not been, of the intense difficulty not merely of making a just peace, but of making any peace at all; conscious both of the importance of the principles to which they had given allegiance and of the occasions where these principles gave conflicting guidance or none at all; we see methodical work carried on in conditions of great difficulty. For the student of international relations the interplay of actual problems with the public opinion to which each negotiator was in a different way responsible should provide an unsurpassed illustration of the realities of diplomacy; it is worth a thousand academic treatises.

Sleeping Beauty

THE STATE OF FRANCE. By Herbert Lüthy. Translated by Eric Mosbacher. Secker and Warburg. 487 pages. 35s.

IT is not new to describe France as the Sick Man of Europe, yet seldom has the diagnosis been presented in so effective and dramatic a way as by Dr Lüthy, who supports it with an impressive description of symptoms.

According to him, France is suffering from sleeping sickness, but, unlike the fairy-tale princess, this Sleeping Beauty decays in slumber, and the outside world does not wait for an awakening. The illness is the result of arrested development, of a collective hankering after former glories. France, once the vanguard of progress, has become the "kingdom of acquired positions"; with eyes fixed on the past, it fights a rear-guard battle against the industrial revolution.

A progressive accumulation of privileges has built up a Chinese wall of protection around an economy supported by state subsidies and foreign aid. "France's clocks keep a different hour," ran the original title of this book, which argues that attempts to alter them to the right time are powerless against the diffuse forces of vested interests. Parliament is capable of eloquent outbursts and of waging the battles of yesterday, but ultimately it always comes to the rescue of *Clochemerle*, whose privileges are protected also by a strong and centralised administration. In the resulting stagnation the live forces of the nation are paralysed. The benefits of industrial modernisation, carried out through the Monnet Plan, are lost on the way to consumers in an antiquated distributive system. At the same time, the unprivileged sections of the population feel themselves outsiders, with no stake in the regime, and this partly accounts for the strength of the Communist Party.

This conservative attitude could be justified if the French were really able to preserve their way of life against the encroachments of modern times. Dr Lüthy, however, rightly maintains that, in the long run, this social stagnation is bound to bring about a decay of France's cultural heritage to the detriment of world civilisation. What, then, is the solution? Dr Lüthy starts from the premise that nation-states are an outworn concept in the atomic age, a premise even more valid for other countries than for France. From this he jumps to a defence of "Little Europe" (that is, one based on the six countries of the Schuman Plan). He does not, however, describe how this European cure would be applied nor answer fairly the French objections: the fear of German domination in a continental alignment or of a supra-national assembly whose political colouring would be distasteful to France.

Indeed, Dr Lüthy, deploring the French habit of parish-pump politics, now joins the parochial battles of the French "ultra-Europeans." This may explain the brief dismissal of Indo-China and certain, now strange-sounding, errors over Morocco in an otherwise interesting survey of overseas France. It is also the reason why, instead of a reasoned argument for Europe, we are offered a garbled version of the struggle over EDC, a great deal of rhetoric and irrelevant polemics. The "European idea" is now at a low ebb, and a more objective, more efficient case will have to be made to revive it.

Dr Lüthy has been much more successful with his indictment of modern France than with his apologia for Little Europe. The mending of historical clocks has proved too much for this able craftsman from Zurich.

Misused Opportunities

FROM VIENNA TO VERSAILLES.

By L. C. B. Seaman.
Methuen. 227 pages. 9s. 6d.

MR SEAMAN'S brief, but clear, "re-examination" of European affairs from 1815 to 1920 should help to correct the increasingly popular belief that the sins visited on us are those, not of our fathers or even our great-grandfathers, but of more remote political ancestors—Louis XIV, or Luther, or even Pope Hildebrand. His almost surgical analysis reveals a nineteenth-century Europe pregnant with opportunities; and explains why these were stillborn or shortlived.

He professes by "elucidation and interpretation" to qualify or dissipate myths still unquestioned by too many writers, teachers and students. He is intentionally provocative "because historical study that does not challenge the reader to think is poor stuff." He claims to show students "how to interpret facts as well as to recite them in chronological order." But as the "common reader" envisaged by the publishers may not be so conscientious as Mr Seaman's students in testing his iconoclastic generalisations by reference to the bibliography, footnotes or explanatory references to other opinions at the end of each chapter would have helped the reader to trace the steps by which Mr Seaman reached his conclusions.

Among the legends attacked are: that there was such a thing as the "congress system"; that middle-class discontent caused the 1848 Revolutions; that Louis Napoleon "overthrew" the Second Republic; and that Bismarck deceived him at Biarritz and subsequently united Germany; and that a condition of international anarchy existed in the decade before 1914. In general the authorities mentioned confirm these contentions; but their support would be greatly strengthened if, in a second edition, the recently published life of Bismarck by Mr A. J. P. Taylor, whose conclusions are strikingly similar, were added to the list.

The general reader is likely to be more interested in post-Crimean Europe; and so, one guesses, is Mr Seaman. His treatment of Bismarck has all the merits of a good short story; while the chapter entitled "Cry Havoc . . . 1907-1914" justifies the book's purpose: it is a brilliant achievement to have disentangled the complicated diplomatic rivalries (and misconceptions) of the period between Bismarck's fall and Bethman-Hollweg's criminal folly so concisely—yet so clearly as to leave no doubt about the justice of the author's verdict.

The book is well printed, of handy size, and equipped with simple but adequate maps.

American Institutions

AMERICAN GOVERNMENT AND POLITICS.

By Allen M. Potter.
Faber. 318 pages. 25s.

AMERICAN scholars turn out a liberal supply of textbooks on the political institutions of the United States, but Mr Potter differs from his academic fellow countrymen in having written his for a British audience and against the background of experience provided by teaching in a British university. He is therefore able to provide an introduction specifically adjusted to the varieties of ignorance and misconception current in these islands about American politics, while at the same time retaining an authentic American appreciation of his own country's institutions.

Occasionally Mr Potter's translation of transatlantic idiom and intent stop just short of what is needed for full comprehensibility. What is a British undergraduate to make of such a term as "collegiate directorates" (page 193)? Nothing in his reading of Raymond Chandler will prepare him for the realisation that it means "governing boards" rather than "university handbooks." But in the main Mr Potter's book is refreshingly free from jargon, and he can, when he feels it necessary, fit a sharp point to his pen: "Federalism is like a heavy mortgage: it makes it possible to build a house, but it is very difficult to pay it off."

The layout of the book is sensible and straightforward. Beginning with a rather humdrum treatment of the constitution and the history of federalism, it goes on to a very lively treatment of "federalism today" and the history and working of American party politics. It would be too much to say that Mr Potter fully explains the intricacies of the congressional system, but at least he makes the British reader understand why it is inexplicable. There is a very up-to-date treatment of the executive and a critical chapter on those weakest of American institutions, the state governments (though one would have welcomed a fuller recognition of the growing political importance of the state governors). The concluding chapters on the judiciary are adequate, but may leave the inquiring British layman still somewhat bemused as to the exact nature and purpose of judicial review. But the book as a whole is a success and deserves to be widely used.

As They See Themselves

SELF-PORTRAIT OF YOUTH.

By G. W. Jordan and E. M. Fisher.
Heinemann. 187 pages. 12s. 6d.

IN this slim and unpretentious work lies an answer to the perennial headache of educationists and administrators, the problem of providing further education for the many. It is the story of a fascinating, original and moving experiment in a London recreational evening institute. The Grosvenor, the institute's

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pen name, discovered a method of building up a happy united community based on the real needs and problems of its individual members.

Mr Jordan found that one of the greatest disadvantages for a child leaving school was a sense of not knowing where he stood in relation to others. In his opinion, the two educational inquiries most needed at the moment are the discovery of "a means of ensuring that freer studies be taken seriously; secondly to devise tests compatible with new freedoms, which will give pupils an understandable end in view."

All young people are eager to find their own level; they need security as well as adventure; they ask how they stand in comparison with their contemporaries. Many suffer from an unnecessary sense of inferiority because they have never been tested.

This sense of inferiority was in its turn the cause of rowdiness, gangsterism and a general attitude of jeering and ridicule. In the words of one of the boys at the Grosvenor, "When they can't dance it disappoints them, and they hang round the walls and make themselves a thundering nuisance, to hide their feelings of inferiority." The repeated statements of the young people looking back on their school work emphasised that it was lack of confidence, and not lack of ability, that so often impeded their progress.

It should be pointed out that one of the secrets of Grosvenor's success is the encouragement given to its students to air their views on anything that concerns them, whether in organised "brains trusts" or in informal discussion. They are expected to be frank, and their frankness provides us, through their reported conversations, with a revealing picture of the world seen through adolescent eyes and especially of how they want to be treated by adults. Mr Jordan and Miss Fisher are to be congratulated on producing a piece of original sociological research. It should be read by all who have to do similar work with young people.

The Use of Symbols

CHRISTIANITY AND SYMBOLISM.

By F. W. Dillistone.
Collins. 320 pages. 21s.

CHRISTIANITY has always used symbolic language in its efforts to state ideas not susceptible of statement in bald, plain, sense-governed prose. It has talked about God as "up there," about sacrificial rites and slain lambs. Today it is contended, not only by non-Christians, that some of these symbols have ceased to convey any meaning and that it is necessary to restate, revise or jettison them. The ancient symbols were framed in an agricultural society which believed that the universe possessed three storeys. Most of us know practically nothing about agriculture and few of us think that the universe is storeyed. The New Testament has a poetic picture—"a stream of fresh water." How shall we understand the force of the analogy when reservoirs and

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cisterns and chlorine have mercifully deprived streams of most of their physical importance and left only an aesthetic pleasure to the hiker and the motorist? Yet symbols must be used if we are to express some of the deepest aspirations of the spirit of man.

This is the problem to which Dr Dillistone has addressed himself, with a formidable wealth of illustration from psychology and anthropology and the comparative study of religions. He defines symbol with care, though not all the sentences are immediately lucid ("the metaphorical process . . . is the secret of all life") and ranges the world of analogy, sign, image, mathematical equation, rite, psychological association, and even of symbol when it is loosely used to mean evidence or symptom. In this wide context of symbolic sign and language he asks whether the Christian sacraments are "outmoded," whether their symbolism is now unintelligible. He wraps the answer round with some sesquipedalian words and not so straightforward sentences; but one is relieved to find that he still thinks them intelligible. Indeed it does not seem to matter whether I wield a pen or a pitchfork, whether I get water from a brook or from a tap, whether I fetch corn from the fields or buy wrapped bread—I still need to wash and I still need to eat. So long as life persists the symbols of washing and eating will be understood.

Expansion in the West

EMPIRE ON THE PACIFIC.

By Norman A. Graebner.
New York: The Ronald Press. 287 pages. \$4.50.

MR GRAEBNER'S book is the result of an investigation into the precise circumstances in which the United States acquired those four jewels in the Republic's diadem, the West Coast states. American enjoyment of a Pacific coastline seems now so natural, such a perfect example of "manifest destiny" fulfilling itself, that it might seem to call for no very deep-delled explanation. Yet in the eighteen-forties it was by no means so certain that Britain, in addition to keeping its hold on Oregon, would not also lift California from the decrepit grasp of Mexico—and that, in any case, "the great American desert," as it was then regarded, would not for ever isolate the Pacific coast from the Mississippi Valley. The first two years of Polk's presidency changed all that, and added to the *lebensraum* of the United States the whole area from the Rio Grande to the 49th parallel, and from the Gulf of Mexico to the Pacific. How was this done?

Mr Graebner's contention is that it was planned that way. He thinks that the influence of "manifest destiny" propagandists and western pioneers has been over-rated, and the role of commercial interests and geopoliticians, who wanted the West Coast harbours, has been under-rated. It may be so. He has certainly brought out in high relief

the evidence in favour of a consciously planned policy to secure California and Oregon as gateways to the east. But, of course, there is no incompatibility between "manifest destiny," pioneering and mercantile diplomacy. The truth was that, provided it could be done without war with Britain, no one in the United States had anything to lose by the acquisition of Oregon and California, and a precise allocation of motive and influence seems hardly as important to the recorder as it obviously has to the author. Nevertheless, "Empire on the Pacific" is a carefully documented, useful study of a dramatic phase of American expansionism.

Foretelling Recidivism

PREDICTION METHODS IN RELATION TO BORSTAL TRAINING.

By Hermann Mannheim and Leslie T. Wilkins.
Her Majesty's Stationery Office. 284 pages. 17s. 6d.

THE authors of this book, which was officially sponsored by the Home Office, took as their starting point the following proposition:—

(a) Some youths return to crime after Borstal training, others do not.
(b) Recorded in Borstal files and in other places are data regarding the past criminal career, background and personality of each youth which were considered to be of use in deciding what type of Borstal institution he should be sent to (for instance whether "open" or "closed"), how long his training should last, and what arrangements should be made after his release.

They examined the information in (b) and carefully established what was most important to (a). Having found the most important objective and measurable criteria, and having determined their precise statistical correlation to the behaviour of Borstal boys after release, they then asked themselves this question: Is it possible, by using the same criteria, correctly weighted, to indicate in advance the chance of a particular youth going straight or relapsing into crime? They found they were indeed able to construct an efficient instrument of prediction for this purpose, and their results were at least three times as accurate as the subjective and intuitive judgment of Borstal governors who had known the youths personally for many months.

The study has yielded much useful incidental information, such as the need for revision of the data that ought to be kept in Borstal files. It has also shown that training in "open" Borstals, even for youths who constitute poor risks as regards subsequent rehabilitation, would produce better results than training in the sometimes prison-like "closed" Borstals. Then, too, the factors which have been shown to be significant for behaviour after release may prove important in future research into the causes of crime.

But the real importance of this pioneer work lies in the fact that it ought

to open the way for a much more effective and rational treatment of crime. The authors are careful not to underestimate the value of individual judgment, which can take into account special circumstances that cannot be fitted into a predictive device; nor do they claim that prediction can ever be 100 per cent accurate, for the vagaries of fate can never be foretold. But what they have done is to demonstrate that the present methods of dealing with offenders are little better than hit-and-miss, and that something a good deal more efficient could be substituted by the use of scientific methods to select the right treatment for the right person. The first task is, however, further research with different categories of offenders and different penal methods. The cost of crime to the community is so high that it is to be hoped that funds for such work will be forthcoming.

Australian Commander

BLAMEY.

By John Hetherington.
Angus and Robertson. 257 pages. 16s.

FIELD MARSHAL SIR THOMAS BLAMEY, Commander-in-Chief of the Australian forces during the last war in the Middle East, and later in the Pacific, was a very able soldier who learned his craft as chief of staff in the first World War to that great Australian general, Sir John Monash. Wavell and Auchinleck, under whom Blamey served as Deputy Commander in Cairo, admired him as a commander, though they found him on occasion difficult and obdurate to deal with.

Blamey was certainly a very determined—and at times a very wily—military leader. No doubt he needed these qualities to command Australian troops in battle and at the same time to cope with the cross-currents of the Australian politics in which his post inevitably involved him. He was outspoken, and right, on the dangers of the expedition to Greece in 1941. But the account which Mr Hetherington gives of Blamey's motives in insisting on the relief of the Australian garrison in Tobruk in the autumn of that year make less pleasant reading. This operation, which Sir Winston Churchill resisted vehemently because of the wasteful diversion of naval forces involved, was carried through because Blamey insisted at the time that the garrison was not physically up to any further fighting. It now seems that his motive was rather to gather into one force the scattered Australian formations—a result which could have been achieved without difficulty six weeks later when Tobruk was relieved by land.

Mr Hetherington, holding fast to the iconoclastic tradition of Australian journalism, has given us very much a warts-and-all portrait of Sir Thomas. There is much in it that is interesting. But there could have been a great deal more had greater space been bestowed on Blamey's campaigns and less on the more trivial incidents in his life.



NO RIVER TOO LONG

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10.5.56 ✓

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.

Backing Mr Dulles

Washington, D.C.

MR JOHN FOSTER DULLES went to Geneva this week well protected from the rear. That, in itself, is perhaps the most important fact about the American approach to the conference of Foreign Ministers. Despite President Eisenhower's illness, control of American foreign policy is today firmly established where it should always have been, in the executive branch of the government. Before Mr Dulles left he briefed congressional leaders, who no doubt exercised their right of offering advice. But he did not think it necessary this time to take any Senators with him to Geneva to give him a certificate of good conduct on his return.

In the last two years the State Department has been strengthened in several ways. The 1954 elections transferred the control of Congress from Republicans, who still behaved as if they were in opposition, to Democrats who still behaved as if they were in power. This, in turn, brought on an era of intelligent co-operation between Democratic leaders on Capitol Hill and the men shaping the Administration's foreign policy. Moreover, the theory that the present world power of Communism and the whole complex of foreign affairs were the result of conspiracy and subversion lost ground. This was due partly to the mere passage of time and partly to the deadening effect of publication. The release of the Yalta papers ranks with last year's visit to Washington of Dr Syngman Rhee as a symbolic milestone in American foreign policy. When Dr Rhee called for marching orders in Korea a deathly pall fell on his congressional audience and the practical meaning of bellicose talk was revealed. Similarly, the Yalta papers, with their occasional indiscretions but no suggestion of malfeasance, stifled controversy with a yawn. There is nothing like several pages of solid type in the *New York Times*, which republishes such documents verbatim, to dissipate emotion. Last week another stiff dose of boredom was added: the Pentagon released the papers dealing with General MacArthur's attitude to bringing the Russians into the Far Eastern war, and this will have helped combat the right-wing myth that the Democrats lost the peace.

But Mr Dulles is also backed by something more positive. The Eisenhower approach, symbolising both in foreign and domestic affairs a distrust of stridency, has emerged as the authentic present-day tone of the American people. Perhaps the best proof of this is the speech on foreign affairs that Vice-President Nixon delivered two weeks ago. It is not long since Mr Nixon was stoking the furnace of partisanship by asking, for example, whether it was not

wonderful that the country now had a Secretary of State who could stand up to the Russians. The line which he has now decided to take, and which he will presumably adhere to during the election campaign in 1956, is entirely different. It is an attempt to make foreign policy non-controversial by generously attributing to such Democrats as Senator George and Senator Lyndon Johnson much of the credit for its authorship.

Moreover, Mr Nixon, to the delighted surprise of the State Department which had rather nervously offered to help him with the script, took the occasion to proclaim to the world that Mr Eisenhower's foreign policy was not peculiar to the President. The speech was an orthodox recital of the purest State Department doctrine, not omitting, as the ambitious Vice-President could have been pardoned for doing, even such politically distasteful points as the urgency of supporting the present government of India. With the Republican party casting desperately around for a man who will fit the image of Mr Eisenhower, the Vice-President has set a fierce competitive pace in the field of foreign affairs. To all this his rival, Senator Knowland, has so far offered only an acid reference to the kind of opinionless salesman who would be inappropriate in the White House. But unless the international situation deteriorates sharply before the nominating conventions, Senator Knowland's well-known views on the short way to deal with Communism will be an insurmountable handicap to his ambitions.

★

With Mr Eisenhower's cast of mind gaining such an ascendancy, and with the Republicans planning to exploit the theme of "peace" for the next election, the really encouraging fact is that the wild swing towards passivity, which Europe feared, has not taken place. There is little misconception in the United States of the "Geneva spirit" or excess optimism about the coming conference. Above all, there is a growing acceptance of the long-term character of diplomacy. Many Congressmen visiting Europe this year came back puzzled and troubled by speculations there about a facile American deal with the Russians and a withdrawal from Nato.

On the Geneva conference itself, two theories are in circulation in Washington, and they are not as contradictory as might appear. The first may be called the "acid test" theory: after the good will at the summit the time has come for good deeds a little lower down. The second is the theory of "continuous exposition." No hard conces-

sions are to be expected from the Russians at this time. But the opportunity must be taken to convince the Russians of three things: that the Americans do not intend to attack the Soviet Union and intend to arrange things so that a united Germany cannot attack it either; that Nato and a united Germany's freedom to join are not negotiable; and that Mr Molotov must define with more precision the security guarantees he requires in the event of German unity. Those who hold to this view do not expect that it will be possible to say at the end of the conference whether it has made any definite progress or not. The test will be the evolution of Russian policy over the ensuing months, particularly if, as is suspected, Mr Molotov no longer commands the full confidence of his colleagues. It is, however, obviously going to be much easier for the American government to hold its public opinion behind the present patient long-range policy if some firm, albeit minor, concessions can be obtained. The Russians would not have to give away very much; discontinuing their jamming of the Voice of America would be a useful point.

While Mr Dulles wishes to lay stress on German unity, it is expected that the Russians will seek to bring disarmament to the fore. The latter, despite all the bold talk of Mr Stassen, who seems to generate optimism from his inner being, still makes Americans a little nervous. This is not because they lack a good plan. The President's idea of aerial inspection, and his acceptance of the Russian proposal to send inspectors to various control points, have made a good impression. But these are essentially schemes for improving confidence between nations by stripping off secrecy rather than by disarming. When it comes to the point, the United States does not wish to disperse its strategic air force and it will be wary of any manoeuvre that will put its refusal in a wrong light.

Storm Warnings in the Boom?

THE latest report of the President's Council of Economic Advisers, surveying the third quarter of 1955, shows that the economy is still expanding at a formidable pace, but suggests also that areas of weakness need watching. The gross national product reached a record annual rate of \$392 billion, an increase of \$31.5 billion above the actual total for 1954. Individual incomes also showed marked increases over previous years and the second quarter of 1955. These figures are particularly impressive because they were achieved neither by an increase in government expenditure—the latter has, in fact, declined slightly—nor by an expansion of inventories. Moreover, while spending on new plant and equipment continued to rise, the housing boom showed definite signs of levelling off in response to restrictive measures on credits and mortgages. Residential construction stood at an annual rate of \$16.2 billion, the first decline in eighteen months. Finally, more people were employed in September, 1955, than in any other September on record.

But on the farm the picture continued to be less favourable. The annual rate of net farm income declined by 5½ per cent in the third quarter of this year to reach the lowest level since 1942. Compared with the first quarter of 1955, moreover, figures showed an 11 per cent drop.

Many farmers and politicians feel that the government should intervene with further purchases of farm products and the Democrats, with Mr Adlai Stevenson in the van, are asking for a return to rigid price supports. More dispassionate observers, however, believe that a decline in agricultural income is the first step towards solving the problem of unmanageable surpluses, and it is with reluctance that the Administration last week launched an emergency purchasing programme to stem the fall in the price of pork.

More disturbing, perhaps, is the continued rise in the index of consumer prices; an increase in September, the second of its size in the last few months, showed that the cost of living was within a half per cent of the record level reached in 1953. It is true that seasonally higher prices for food, apparel and housing accounted for most of the rise, but services, which are more difficult to measure statistically, also showed a distinct increase. This is a non-seasonal factor and preliminary figures for October suggest that it is growing in importance. It seems, therefore, that despite President Eisenhower's illness, the Administration's problem continues to be the threat of inflation and the need of keeping buoyancy under control.

Slow Justice

PRESIDENT EISENHOWER has demonstrated the importance which his Administration attaches to making American justice speedier and more efficient. In one of his first interventions in domestic politics since his illness, the President approved a six-point programme submitted to him by Mr Herbert Brownell, Jr, the Attorney General. Two of its proposals are designed specifically to end the ever increasing log-jam in the Federal courts. Litigants in civil suits in southern and eastern districts of New York have to wait more than four years before their cases can be heard; in Philadelphia and Pittsburgh the delay tends to be three years, and two and one-half years is not an unusual waiting period in Colorado. Such delays frustrate the due process of law and are a constant deterrent to litigants with small means. Many factors account for this unfortunate situation, among them the tendency of Federal judges to take long holidays. Primarily, however, the growth of population and the increasing complexity of social life contribute to bringing more civil cases into the courts.

With the President's approval, Mr Brownell will ask Congress to create some twenty new Federal judgeships. This is the figure proposed last March by the Judicial Conference of the United States. The Attorney General is also planning to send legal "task forces" from Washington to help expedite justice in particularly congested districts. It is hoped that these two measures will reduce the present backlog of cases by some 25 per cent. To make certain, moreover, that needy defendants in both civil and criminal trials will obtain effective legal counsel, the Attorney General is drafting a law instituting "public defenders."

President Eisenhower also agreed with a number of suggestions for improving America's relatively antiquated penal system. The Federal prison population has increased by 10 per cent in the last decade, and it is widely felt that this is due to the lack of an adequate parole and rehabilitation programme. Mr Brownell is proposing to summon a national parole conference in April.



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Tariff Watchdog

Washington, D.C.

BEFORE the American delegation to the January negotiations of the General Agreement on Tariffs and Trade can be briefed, all interested parties are legally entitled to their "day in court"; hence the two sets of public hearings that start on Monday. For most aspects of the negotiations, such as the trade rules of Gatt and the concessions which the Americans will try to obtain, witnesses go before the Committee for Reciprocity Information, an interdepartmental body which will draft the final instructions for the conference. But Congress, sensitive to the interests of the domestic producer, prefers to test before a more independent body—the Tariff Commission—the basic assumption of the reciprocal trade acts: that there is room to cut some American tariffs without seriously hurting industry at home.

This commission is an official research organisation with an independent status designed to make it equally serviceable to the President and to Congress. An expert staff of some two hundred economists and commodity specialists, organised in seven divisions, works under six commissioners—three Republicans and three Democrats—who are appointed for staggered six-year terms. Oddly enough, in view of the Administration's pronounced commitment to a liberal trading policy, President Eisenhower has tended to fill vacancies with men known to have a protectionist background. The commission's routine functions include giving advice to individual Congressmen on their Bills, publishing statistical information on tariffs and trade, and producing studies of particular industries at the request of the President, the Ways and Means Committee of the House of Representatives or the Senate Finance Committee. In keeping with tradition, hearings are public.

The commission touches on American trade in four ways. First, if the Treasury has ruled under the anti-dumping law, that a foreign firm is bringing in goods at less than "fair

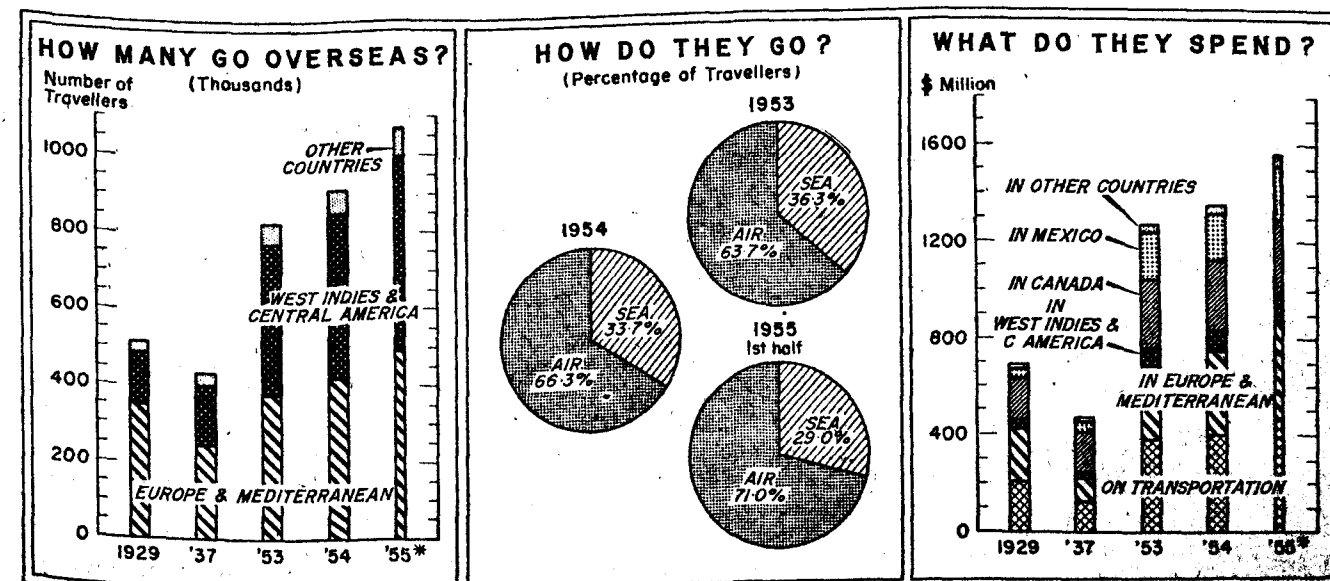
value," the commission finds out if "serious injury" to American competitors has resulted. Secondly, it may determine whether farm imports are undermining price support programmes. Thirdly, the commission can be called on by the President, Congress or any interested party to say whether imports resulting from a tariff concession are "causing or threatening serious injury to a domestic industry producing like or competitive products." Finally, it is trying to find for each item, on a list of nearly a thousand, the "peril point" beyond which any proposed concession would cut too near an American producer's bone. The President can override the commission's advice but must explain to Congress the reason why.

It is surprising, in view of all the clamour against extending the reciprocal trade laws, that relatively few witnesses have asked to be heard. This may partly be due to the fact that the limits of concessions permitted by this year's law are rather modest, and partly to the careful elimination from the preliminary list of most of the familiar contestants in past tariff battles. It is also true that some of the old belligerents are taking quick advantage of a new tariff section in the Office of Defence Mobilisation which is legally entitled to jog the President's elbow whenever an industry or skill essential to national security is in alleged peril from foreign competition.

Filling the Sweet Tooth

THE announcement earlier this month that the 1955 import quota for sugar would be raised by 100,000 tons—as it was in July—is a bitter pill to domestic sugar growers who have surplus stocks on their hands and who must again restrict their plantings to allotments laid down by the Department of Agriculture. The culprit from their point of view is the 1948 Sugar Act, due to expire at the

Travelling Americans



* First half, at annual rate.



"I think I'd like a White Horse
better than anything"



end of next year; this gives to United States growers (including Hawaii, Puerto Rico and the Virgin Islands) a fixed yearly quota of 4.4 million tons, and annually allocates the remainder among foreign suppliers on a scale which gives Cuba 96 per cent of a fluctuating total. For 1955, American sugar consumption is estimated at 8.4 million tons and as the population is increasing by nearly 3 million a year, it promises to show a substantial annual gain. Domestic planters are determined to deprive Cuba of its virtual monopoly over these windfalls, and to win for themselves a stake in the expanding market.

Their fight for the sugar market is, however, hotly contested. In the first place, Cuban sugar is cheaper than the domestic product and Cuba, therefore, enjoys the solid support of the large sugar-using interests—and particularly the soft-drink industry. Secondly, the government feels bound to maintain large-scale purchases of Cuban sugar, partly because of its dependence on them in wartime, and partly because of the unpalatable political repercussions which might follow a deterioration in the Cuban economy. And finally there is the important fact that Cuba is the world's sixth largest buyer of American exports; a cut in sugar purchases would back-fire. The fight is, moreover, a three-cornered one. Other foreign suppliers—Mexico, Peru, Haiti and the Dominican Republic—have a long-standing grievance that they have not received their fair share of this lucrative market.

Prompted by domestic growers, Congress considered numerous measures in the closing stages of the last session, calculated to give American producers a 50 per cent share of further increases in the demand for sugar. But it soon became clear that time was too short to settle a question which brought to Washington a host of high-powered lobbyists representing all the interests involved—foreign as well as domestic—and the fight will be resumed in January.

The Politics of Public Housing

Washington, D.C.

THE Public Housing Administration has had to establish a system of priorities for parcelling out the 45,000 public "housing units" that Congress has grudgingly authorised for the current fiscal year. Public housing has been a sharply fought issue in the House of Representatives for seven of the last eight sessions. On every occasion except one (in 1949 when the basic Housing Act was passed) the programme has been initially defeated in the House and only rescued, often in a mutilated form, by the insistence of the Senate.

Public housing was intended to be an integral part of a long-range housing programme adopted after much argument in 1949. The Federal government's role was to back the bonds of public housing authorities and to meet by an annual subsidy the deficit on the rents, which were to be charged according to the tenant's ability to pay. On this basis, 810,000 "housing units" were to be built, at an average rate of 135,000 starts a year, to provide "decent, safe and sanitary" quarters for poor families turned out of slums. Since some six million homes in the United States are classified as "substandard," this goal could hardly be thought overambitious.

Yet even in 1949, when Mr Truman was pushing the measure in a Democratic Congress with the prestige of his unexpected electoral victory fresh upon him, it scraped through the House by a majority of only four votes. Since the programme requires an annual appropriation, its opponents have since had repeated opportunities of replaying the match. The full rate of 135,000 starts a year has never been achieved; President Eisenhower has not even asked for more than 35,000 a year. Moreover, in view of the House's determined efforts to cut off the programme altogether, annual appropriations to cover even this tiny quota have had to be wrapped up in full-dress legislation with other less controversial housing provisions. To its opponents, public housing is the thin end of the socialist wedge, the first instalment of a scheme to turn families with low incomes into "wards of the government" and deprive them of any incentive to better themselves. This view prevails in the House year after year, despite elaborate provisions to preserve local initiative and local management, to eliminate the remotest possibility of competition with private enterprise, and to enforce the strictest means tests on needy families.

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The division of opinion on the issue of public housing does not, moreover, run along clear party lines. The co-author and most active congressional proponent of the original "socialist" act of 1949 was the late Senator Taft. Moreover, although there has always been a rock-ribbed group, symbolised by Senator Bricker of Ohio, which has fought the idea, the Senate has on the whole favoured public housing against the opposition of the House of Representatives. Two reasons may account for this divergence. The first and less surprising is that the Senate genuinely is, as the founding fathers intended, a more deliberative body. There are fewer Senators, they are in office for a much longer term, and there is a tradition of examining matters on their merits. Certainly Mr Taft's conversion to public housing was the result of long hearings, which convinced him there was no other way of tackling the chronic slum conditions in the big cities. The second reason is that, despite the fact that the House is supposed to reflect the balance of population and that the Senate's membership is heavily weighted against the most populous areas, it is there that urban interests frequently get a better hearing. This is partly because the congressional boundaries within each state are fixed by the state legislature, in a way that often reflects the over-representation of rural areas in its own ranks. It is also because, however small the total population of his state, the successful candidate for the Senate has to remember that a fair proportion of his constituents live in cities.

In the House of Representatives the traditional divisions between town and country, Republican and Democrat, affect the housing issue. The northern Democrats almost all come from urban districts and almost all have a solid voting record in favour of public housing; the rural Republicans vote against it. Some urban Republicans, especially in the Midwest and west, show a conservative solidarity with their rural colleagues, others, mainly but not exclusively in the east, vote with the general urban interest.

The voting of southern Democrats, on the other hand, defies any logical interpretation. Mississippi has been solidly

against public housing through the years and Virginia is today. The majority of representatives from Georgia and Florida, however, have always supported the programme, though the Congressmen from Miami, which has a flourishing scheme approved by a local referendum, votes against it. The Democrats from Alabama and Kentucky support their northern brethren on this issue, but the majority of those from Louisiana and South Carolina repudiate their own Senators who were authors of the Act. There seems in the South to be no direct correlation between local benefit from public housing and support for it. Two of its staunchest supporters come from rural districts in Alabama and Georgia, whereas an urban representative from Texas is its most fanatical opponent. These unpredictable Southerners are of crucial importance since, not only do they hold the balance of votes, but they usually occupy favoured positions in the House's Appropriations and Rules Committees.

Behind these political complexities there is a genuine conflict of sentiment. Americans are anxious to do away with slums and better the lot of their less prosperous countrymen, but they are suspicious of government interference in what is a highly local problem and they feel that a man should pull himself up by his own bootstraps.

Traffic Jam in the Air

New York.

AT two international aviation conferences last week there was a single dominant theme: the need to ensure that the dramatic expansion of air travel is not retarded by obsolescent methods of air traffic control, by inadequate landing facilities or by cumbersome customs and immigration procedures. In Manila, these problems were tackled by the International Civil Aviation Organisation, a specialised agency of the United Nations; in New York, they were discussed by the International Air Transport Association, the organisation of the airlines.

According to the technical committee of the IATA, the art of handling aircraft in the air and on the ground is five years behind the art of building them. As a result, the United States is already "running out of air space." By 1960 American jet airliners and faster military aircraft will be making new demands on the traffic controllers; and by 1965 American domestic airlines alone are expected to carry 70 million passengers, compared with 32 million in 1954. Corresponding increases must be expected in business flying, international airline traffic, air freight and short-haul helicopter operations.

No airline dare compromise with safety. But unless new equipment and techniques are employed, this growth in air traffic will cause severe delays which will alienate passengers and cut sharply into airline profits. Air traffic controllers in the United States have less experience than their British colleagues in the technique of "mixing in" fast jets and turboprops with slower piston-engined aircraft. But much has already been done, as in Britain, to speed operations by the use of radar controls. The main cause of delay now, especially in bad weather, is inadequate control beyond the airport approach zones. The existing practice of separating aircraft at each altitude by ten-minute safety intervals is absurdly wasteful of air space. In the case of high-speed jets, for example, it would provide

sufficient room for only two or three airplanes at one time between New York and Washington.

The answer, it is generally agreed, lies in more radar equipment so that an aircraft can be tracked visually during its entire flight. In that way, the "cocoon" of air space surrounding each aircraft can be sharply reduced. Fortunately, a military long-range radar network already exists along the acutely congested airways of the east coast, between Boston, New York and Washington, and supplemented by civilian equipment, it will by 1958 provide radar coverage during a whole flight.

Changing Television

New York.

FIERCE competition for the highest audience ratings, the criterion of success in American television, is promoting changes in the industry as profound as any now taking place in Britain. Programmes are becoming shows rather than televised broadcasts. As the rivalry between the three major networks grows more acute, American television is looking to the legitimate theatre on Broadway and to Hollywood.

The success of last year's 90-minute spectacles in colour television has encouraged the National Broadcasting Company to stage many more this year, and its chief rival, the Columbia Broadcasting System, has been forced to follow suit. Owing to their high production costs, "spectaculars" are usually financed by groups of sponsors, each of whom may pay as much as \$70,000 for a single 90-second advertisement. Such shows also perform the important functions of helping the sale of expensive colour television sets.

The trend towards the use of films on television is increasing continually. The American Broadcasting Corporation, the smallest of the three major networks, now uses films in more than half of its programmes. They allow producers greater flexibility in the use of sets; they are generally of higher quality than the kinescopes obtained in the studio from the face of a television picture tube; and they can always be shown a second time at a relatively low cost. The cold war between the motion picture industry and television producers is over. It has been replaced by a grudging co-existence that has led, in turn, to mutual dependence. The concentration of the motion picture industry on the production of fewer and better films has left most of the major studios with unused capacity, and overheads can now be spread economically by making films for television.

Independent producers, who still make most of the television films, are not happy about this solution. The big studios, they argue, have little specialised experience in television, and regard television as a replacement for the second-class pictures that no longer pay their way in the theatrical market. Moreover, the big studios see in television a new medium for advertising their products. Some of their television films appear to be designed only to lure viewers away from their sets and into the nearest cinema. Even Mr Disney, the most highly regarded of the major entrants into the field of the television film, has been accused of dressing Mickey Mouse in grey flannel—this year's uniform of the advertising man.

The World Overseas

New Look for Nato's Divisions?

BY A MILITARY CORRESPONDENT

AT a press conference last Monday, Lord Ismay said that it was "very specious thinking" to imagine that nuclear warfare did away with the need for conventional troops. Nato planners are, indeed, imagining no such thing. It is generally assumed that any future war in Europe would begin with an all-out attempt by both sides to carry out as much destruction as possible of ports, airfields, production centres, etc., by means of concentrated atomic attack; but that after this initial stage, in which air power would clearly be decisive, there would still be fighting on the ground—even, in Lord Montgomery's opinion, prolonged fighting. It would be of primary importance to halt any Russian land advance as far east as possible, both in order to maintain morale and to prevent an attacker from establishing airfields and launching sites nearer to western industrial areas and to the ports through which American supplies would ultimately have to come. It cannot be too strongly stressed that even if such a war cannot be won, it certainly can be lost, by the West.

Whatever Nato army was in the field (and it would certainly be heavily outnumbered) would have to fight it out with its own resources in the initial phases; the prospect of reinforcements and supplies grow more remote as Russia's airforce and atomic stockpile increases. It is this problem which is now being considered in the reorganisation of the basic army formation, the division.

The organisation of Britain's divisions in the last war was partly a matter of experience, partly of shortages, notably in tanks. The lead which was lost before the war was hard to regain, and the infantry could never be given their own integral close support tank unit. The difficulty was overcome by armoured divisions often fighting in the wrong role, and by independent tank brigades—but without the intimate close support, which mutual confidence bred by long battle experience together can alone impart.

The division, as the largest self-contained formation, has stood the test of war and seems even better suited to Nato's requirements, if it is given a still greater degree of self-sufficiency, supplied with simplified fighting equipment, pruned of its vehicle strength and its administrative echelons and generally adapted to atomic tactics. The hitting-power of atomic weapons makes it necessary to disperse both the forward defensive positions and all HQs and administrative echelons. Good use of ground can alone secure this. Many areas, screened by hills, woods and other features, still offer difficult atomic targets. Divisions will have to be

prepared to cover fronts of 15 miles or more by holding selected brigade or battalion areas, with large gaps between them into which the enemy may be induced to concentrate so that he then offers suitable targets for atomic weapons and counter attack.

It seems that the few British divisions available in the early stages should be organised with armour as an integral part. What Lord Montgomery calls the Standard Division and General Gale referred to as the General Utility Division has been tested in BAOR this year and seems to be developing along the right lines. Divisional HQ should include a squadron of amphibious tanks and a flight of helicopters. The former are essential if the infantry are to lose their anti-tank guns. Each brigade would include, in addition to its three infantry battalions, an armoured regiment consisting of three squadrons of medium tanks and one squadron of heavy tanks (Conquerors). One field regiment of artillery would provide close support for each brigade. The 25-pounder has obviously had its day, and according to present plans will be succeeded by a self-propelled howitzer. It will, however, be some time before even a prototype of this appears, and it is sincerely to be hoped that the range will be greater than the 11,000 yards at present planned. Additional artillery support will be available within the division from a self-propelled medium regiment. If this is to be adequate over the divisional front in defence, a range of 20,000 yards will be required.

The Royal Engineers will be organised in a divisional unit as at present. It is intended that the infantry shall lose their mortars and anti-tank guns, retain some medium machine guns in the HQ company and the lighter anti-tank weapons, and rely on the tanks for other anti-tank defence. Methods for quick crossing of anti-tank obstacles such as rivers by means such as the new jet powered raft are vital if the assaulting infantry are to be properly covered.

The conception, then, of the fighting end of the new division is of three self-contained brigade groups each with its own infantry, tanks and supporting fire power. Such a formation should have both strong defensive power and the ability to deliver massive and sustained attacks when opportunity offers. Its tactics will largely be governed by the power of supporting atomic weapons, and the need to avoid offering targets for the enemy's atomic weapons and making them concentrate to offer suitable targets.

If the fighting end of the division is effective the next thing will be to tackle the administrative echelons, the work-

shops, and the replenishment of men, equipment, food and ammunition. The principle here appears to be to bypass the present Corps link and replenish direct from Army dumps to forward troops. A drastic reduction of the number of vehicles and air supply are the key to this.

Nato countries will realise that besides taking its place beside its allies in Nato, the British Army has other roles to play. It must be prepared at all times for a minor campaign or for a policing role. Nothing in the new divisional organisation seems to make this more difficult. Indeed, the simplification of infantry arms, and the greater rifle fire power this should give, will be an advantage.

When armoured regiments are an integral part of standard divisions, is there any longer a role for the armoured division? Atomic tactical weapons are likely to produce situations where very quick exploitation by highly mobile forces may give big rewards. An armoured division organised with a reconnaissance regiment of armoured cars, three armoured regiments and an infantry battalion transported in armoured carriers with a self-propelled medium regiment to support them, could do this. The tank is less vulnerable to atomic radiation effects than troops in the open, and a light mobile division organised to work in armoured regiment groups would have great mobility and hitting power in a disorganised situation. It would not be suitable for prolonged action and penetration to great depth, which is the function of the standard division. It can be argued that this armoured group is really only a brigade, but it is likely to fight dispersed over considerable distances and its command set-up should be on the divisional level.

A Programme for Algeria

FROM A CORRESPONDENT IN PARIS

FRENCH ignorance about overseas France is proverbial, yet in the last three months, the minority that takes North African affairs to heart has learnt with surprising rapidity how questionable is the old slogan that "Algeria is part of France." Frenchmen have swallowed, for instance, the hard fact that the standard of living of at least 8 million Algerian Moslems—that is, about a sixth of France's citizens—is scarcely higher than that of India. Their immediate reaction to this news was discussion of how to raise the level of the average income of the Algerian Moslem to that prevailing at home, as if such a change were quickly feasible. The absurdity of the notion was due both to the sense of emergency engendered by the present crisis and to the surprising illusions aroused by the two years of rapid expansion at home that have enabled M. Faure to promise a doubling of the purchasing power of the home consumer within the next ten years.

For Algeria the two remedies recently suggested, massive public investment financed from metropolitan France, and massive emigration to it, are both unrealistic. Public investment, already substantial, will certainly have to be increased, but France has not yet achieved a satisfactory rate of investment at home. And even if vast amounts could be raised, it would be difficult to put them quickly to economic use in Algeria. As regards emigration, the present situation is that about 300,000 Algerian Moslems have sought employment in metropolitan France, and more than a third of them have failed to find permanent jobs.

The basis for long-term development has recently been laid down in a number of reports published by the *Commissariat au Plan* and the Economic Council. Their authors, however, in their desire to administer a salutary shock, may well have overstated the case. Their purpose was to promote action; they may, however, discourage it by exaggerating the contrast between the increase in Algeria's population and the limitations of its resources. The natural rate of yearly growth of the Moslem population—nine-tenths of Algeria's total population—is put between 2.5 and 3 per cent, an almost incredibly high figure which cannot be accepted out of hand. (The rate cannot, however, be lower than 2 per cent; and since it will tend to increase fast, owing to the high proportion of young people and the falling death rate, a campaign for birth control will be indispensable.) Moreover, the oft repeated claim that the cultivable area cannot be increased is overstated: a huge task of land reclamation lies ahead. And finally—what are "natural resources"? Not only is more active prospection needed, but it is not unreasonable to think that the solution of the Algerian economic problem may lie in the improvement of techniques enabling the exploitation of resources now left idle. For instance, Algeria is well suited to the harnessing of solar energy and praiseworthy experimental work is being done in this field, but not enough if industrial application is, as it seems to be, already possible.

Help for the Fellah

There are other grounds for optimism. The Algerian Moslems are sober and thrifty and, if properly guided, are capable of becoming skilful workers, as has been proved in the Renault factories and elsewhere. The population is not riddled with alcoholism as it is in several other parts of the *Union Française*; nor has it sacred cows to feed. Moslem girls show an aptitude for learning, their attendance at schools is on the increase, and an improvement in the social condition of women will probably help to reduce the birthrate.

It is, however, the use to which available financial resources are put that is the decisive point. The Moslem peasant, the fellah, must have first call on the funds available. Nearly 80 per cent of the population lives on the land; and while the production of wine, fresh fruits and early vegetables has been expanded mainly to the benefit of a minority of advanced farmers of European origin, output of cereals is not much higher than in the first decade of the century—an average of 19.7 million quintels per annum in 1949-52, as against 19.6 in 1901-1910; there are also less cattle and sheep now than then. But experience in the SAR—*secteurs d'amélioration rurale*—where admirable work has been done, though on a tiny scale, has shown how much the fellah can be helped to irrigate the land he cultivates and to improve its yield. Increased expenditure must be devoted to this task and to a campaign against soil erosion. Here, money is not the main bottleneck; more agronomists, particularly rural engineers, are required. Until a more prosperous rural community is created there will be inadequate support for local industry, which supplies about 30 per cent of the Algerian gross product, but is not working to full capacity.

The lines along which a comprehensive ten-year programme could be framed are clear enough, but the present unrest, while demonstrating the need for economic remedies, raises a formidable obstacle to action. How can the vicious

circle be broken? The problem is mainly political. Hunger, though at the root of the unrest, was not its most immediate cause: the cereal crops in 1954 were the best since before the war. Nevertheless, the disposal of some of the French wheat surplus to Algeria, until local production can be substantially expanded, might contribute to better relations. Equally urgent is the need to look after the unemployed or under-employed Algerians in France, and to provide them with social services, housing accommodation, training and jobs. This should be a prerequisite to a further development of emigration, but would also help to relieve misery in Algeria, since the Algerian workers employed in France send more than half of their wages back to their families; it is said that 1,500,000 people in Algeria live mainly on this income. Lastly, the development of industry in Algeria will have to be subsidised in one way or another, until French firms can be persuaded to risk their capital there. The most obvious way would be to increase subsidies to house and school building, and land reclamation, thus satisfying urgent needs, reducing unemployment and enlarging the local market for consumer goods. All this will be expensive—but less so than a continuation of civil war.

Problems of the Viet Minh

FROM A CORRESPONDENT IN PARIS

THE conflict between nationalism and Communism was one of the principal problems confronting the Viet Minh government after the Geneva conference last year. Most of its followers were nationalists who had supported the Viet Minh loyally during the fighting in the belief that it was the only organisation capable of driving the French from Vietnam. Once the fighting was over, these people, many of whom held key positions in the army and the administration, might be expected to oppose the imposition of a full-scale Communist regime.

From the very beginning, however, the Viet Minh set to work to establish a rigid control over the people by means of a system known as *phat-dong*. A team of trained cadres is sent to each village in a selected area. These cadres take up residence with the poorest inhabitants and isolate the land and property owners from the rest of the villagers. They then collect all the information they can about these "bourgeois" villagers and compile a dossier on each. Next they explain to the poorer villagers how they have been exploited and misused by their richer neighbours. After this comes the people's court, which is composed of the poorest villagers and before which the property owners must stand trial. The final steps are the punishment of the property owners, the redistribution of all the land among the villagers, and the replacement of the old members of the village administrative council by some of the poorest villagers. The personnel of all other administrative bodies in the area are changed in the same way. The operation is then complete and the team of cadres moves on to the next area. The effect of such an operation is to remove all people who might be disloyal to the regime, and to make the land or their official positions of the remainder depend upon the continuing existence of the regime.

Moreover, the Viet Minh army has been completely transformed since last year and turned into a loyal instrument of the regime. The politically unreliable elements have been systematically removed, and replaced by new recruits selected from the regions in which the *phat-dong* operations have been completed, so that the loyalty of each can be guaranteed by the village administrative committee. In addition, the government has recruited, trained and armed local defence forces in all the villages. They are trained after the day's work in the fields and are intended for use in case of an attack from the south. They also form a useful reservoir from which reinforcements for the regular army may be drawn.

In the cities and towns the trading communities have been rendered as powerless as the landowners and officials in the countryside. It was made compulsory to exchange all Bao Dai piastres for Ho Chi Minh piastres at a most unfavourable rate before a certain date; and traders of all kinds, even the poorest street vendor, were taxed so viciously that it became impossible for them to continue their businesses, while government co-operative shops sold Chinese and Russian goods at a comparatively low price. The whole population has been obliged to join one or more of the "mass organisations" such as the Association of Women, the Association of Agricultural Workers, the Association of Buddhist Bonzes, etc. Through these organisations they are forced to listen to "explanations" for some hours every day, and constant repetition of Communist propaganda is, by its very insistency and volume, wearing down all opposition in the minds of even the most independent citizens.

The shortage of rice has remained one of the most serious problems facing the government. During his recent visits to Moscow and Peking, Ho Chi Minh pointed out that he would be obliged to invade the south for the sake of its rice unless supplies were forthcoming from some other source because his people were starving. This led to a gift of rice from Russia to northern Vietnam in the form of 150,000 tons of rice bought by Russia from the Burmese government. This, however, is clearly a temporary solution.

Ubiquitous Chinese Advisers

The provision of an efficient administration for the territory under its control is another problem that has not yet been solved by the Viet Minh. When it took over northern Vietnam, it had no trained administrative cadres of its own, and its appeals to the civil servants of the old regime to remain at their posts largely went unheeded. Although promised continued employment at their present salaries and a full pardon for all their fancied or real misdeeds, most of these men preferred to go to the south, or else to return to their own village in the north. The government was therefore obliged to make do with whatever personnel it could muster, and the inevitable result was an administrative chaos which still persists, although it is not now as bad as it was. Chinese advisers helped, but most of these were technicians and the help they rendered was of a technical nature.

These Chinese advisers remain remarkably inconspicuous in spite of their large numbers. It is difficult, at any time, to distinguish between Vietnamese and Chinese, but in northern Vietnam it is impossible unless one hears them speak because everybody now wears the same drab clothes. The Chinese have taken over complete control of the air-

ports, powerhouses, and other concerns which require technical skill, and it was Chinese technicians who built the new railway from Hanoi to the Chinese border. Doubtless they are equally active in Vietnamese politics, but precise information on this is very difficult to obtain.

Some very interesting political changes have, however, recently taken place in the north. A new "Fatherland Front" was created at a meeting of the Lien Viet in Hanoi last month, with the object apparently of soothing the suspicions of the northern regime that have been aroused in the south. Although the broad mass of the people in the south have a sentimental attachment to the Viet Minh, and although there are large numbers of Viet Minh cadres in the south, the Communists were unable to provoke any public demonstrations there against Mr Ngo Dinh Diem's refusal to meet the Viet Minh on July 20th to discuss national elections. The reason for this is the widespread fear and revulsion caused by the brutalities committed in the people's courts and by the merciless taxation of all businessmen. The people of the south are wealthier than their northern brothers and are justifiably apprehensive about their fate under a Viet Minh regime. Brutality therefore has disappeared from the people's courts while the new front's claims to incorporate "all social strata" "without distinction of social class."

A second change is the gradual removal of Ho Chi Minh from the centre of the stage. The Viet Minh cannot yet afford to dispense with him altogether because of his great prestige, but his real power is being steadily diminished.

The greatest fear of the Viet Minh is the establishment of a really effective nationalist government in southern Vietnam. Letters from people in the north that have been smuggled over the border to their friends in the south are surprisingly uniform in content. They may all be summarised as follows: "I detest Communism in all its forms, yet I have elected to stay in the north and support the Viet Minh because Vietnam must have a strong government to restore order and rebuild the country. The government of Mr Ngo Dinh Diem is corrupt and inefficient, so I am left with no alternative to giving my support to the only effective governmental force, the Communist Viet Minh." The writers of these letters and millions like them would not hesitate to give their full support to any nationalist government which showed itself capable of governing, and the Viet Minh is most anxious for the national elections to be held before such a government can be formed in the south.

No Hounds for Comrade Lapkin-Chapkin

IN the latest issue of *Krokodil*, the Soviet satirical journal, there is a cartoon of a smart woman on whose fur collar is written: "bribes." She sails straight into the director's office, with a pile of parcels in her arms, watched by an angry queue of onlookers in the waiting room. Underneath the caption says: "She always gets in without queueing." Thus satire joins in the vast campaign against corruption and bribery which has been launched in the

Soviet Union. Reporters and *feuilletonistes* have been told to brand this anti-social vice and they certainly do not lack subject-matter. Their attacks, serious or witty, show how widespread the phenomenon has become and how easily accepted by otherwise honest citizens.

Literaturnaya Gazeta reports the case of a naïve employee who assumed that, once a machine had been paid for, he only had to come and take delivery on behalf of his own firm. He was, therefore, surprised when the first accountant of the firm and then a higher official asked him for a personal commission (*pourboire*—say the French; "for tea"—say the Russians). Shocked, he pleaded his rights, refused to pay and, finally, appealed to the police. Naturally, he won his case, but by a strange coincidence he lost his job a few weeks later. Was it more than coincidence? The journalist dealing with the matter could not prove it, yet he was shocked by the attitude of the director who was chiefly concerned by the fact that his employee had gone to the police.

Corruption is accepted as a matter of course and this official complacency now comes under fire in the press. Bribery has permeated the system. It has not been invented by the Soviet regime: bribes in cash and kind were already prevalent under Tsardom. Judge Lapkin-Chapkin, in a play by Gogol, pleaded that he accepted no money, only hounds for hunting. In the Soviet Union corruption has flourished under the combined influence of low salaries, shortages and bureaucratic bottlenecks. Many a director preferred to give "for tea" and get his stuff rather than to act in an incorruptible manner and fail to reach the planned target. Bribes were used to oil the squeaking economic machine. Soviet leaders now consider that salaries are sufficiently high and the administration skilful enough not to require such oiling. The new drive against bribery thus forms part of a general Soviet campaign for moral improvement and economic efficiency.

Moscow Woos Madrid

FROM A CORRESPONDENT IN MADRID

IN the Russians' present drive for "peaceful co-existence" not even General Franco is being overlooked. Indeed, the Russians seem to be making a special effort to reach some measure of friendly understanding with the arch-enemy of the Communists. This is not so surprising as it seems at first sight. Moscow would stand to gain a good deal if Spain could be detached from its economic dependence on the United States and lured back to its traditional neutrality, for in that case the bases now being built in Spain by the Americans would presumably be denied to them. There have been a number of signs over the last eighteen months that the Russians think it worthwhile to make an effort to bring about this development.

Throughout 1954-55 commercial exchanges have been progressing between Spain and the Soviet bloc. Poland, Hungary and Czechoslovakia have all been trading with Spain. Poland, for instance, bought 300,000 tons of mineral ore from Spain in return for 200,000 tons of coal. The ore came from the Rif mines and went to Polish industries in Eastern Silesia, while the coal went to the Spanish



Assembly work in progress at Marconi's Chelmsford factory. (Left) Mr. John Mabey, the Burroughs man called in by Marconi, with one of the Burroughs machines which have speeded up their accounting.

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national railways. Apart from developing trade relations, there have been a number of friendly gestures. As long ago as the early part of last year the Russians released 285 prisoners captured from the Blue Division during the Spanish civil war. This spring the Soviet government sent two delegates to an international congress on the standardisation of ball-bearings that was being held in Madrid. It chose to overlook the fact that Spain has no diplomatic relations with the Soviet Union or any other Communist country. And at the recent Venice Film Festival the Russians did something even more surprising; they invited the Spanish representatives at the festival to send delegates to an international congress of cinema technicians to be held in Moscow next year.

There have also been some gestures on the diplomatic front. When a vote concerning Spanish participation came up in the UN Economic and Social Council last August, Russia and Czechoslovakia contented themselves with a mere abstention. And last month Mr Molotov was seen to give a friendly smile to the New York representative of the Falangist publication, *Arriba*. When this correspondent asked the Soviet Foreign Minister whether the Russian proposal for a European security pact included Spain, he received the answer: "Naturally, if Spain cares to join." Since then it has been reported that Russian diplomats in Paris have been trying to establish direct contact with the Spanish Embassy there, with the object, apparently, of improving trade relations.

If Moscow decides to go on pursuing this conciliatory line until it reaches some sort of an understanding with Spain, it is in a strong position to do so. For one thing, it holds a great deal of Spanish gold. Bullion worth \$400 million was shipped to Russia by the Spanish Republic during the civil war, and it is believed that only a fraction of this was touched to pay for the Republic's war-time necessities. The Russians have already returned to Teheran the gold that it claimed. It is clearly not impossible that the same good fortune might come Spain's way. Moreover, the Catalonian textile industry is in the throes of a severe crisis. It desperately needs new foreign markets, especially now that Japan has now resumed its position as an exporter of textiles. Might not the Soviet bloc come to Spain's help here? Finally, it must be remembered that the Spanish

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government is dissatisfied with the amount of American aid that it is receiving, and that the Russians might well exploit this weakness in Spanish-American relations.

NOTES ON INDIA

(These Notes are Contributed by Our Correspondent in India)

Stemming the Floods

THE whole of Northern India has suffered this year from floods unprecedented in their extent and severity. From the Punjab to Orissa there have been occasions when as much rain has fallen in 48 hours as in London in a year. Hundreds of lives have been lost, material damage runs into tens, perhaps hundreds of millions of pounds. Thousands of square miles of countryside have been under water, large towns like Amritsar have, for a time, been completely cut off. There has been water in the streets of Delhi itself. The disaster has been mitigated by the speed with which relief was organised and the admirable work of the armed forces. Moreover, there is the consolation that though the destruction wrought on the summer crop, especially in the Punjab, has been enormous, the silt and moisture the floods leave behind will often mean a bumper winter crop.

One result of the floods has been to stiffen the government's determination to provide against a recurrence of such disasters. Complete prevention is not possible, but £90 million is being allocated in the second five-year plan for some effective palliatives. There is to be more co-operation with Nepal and Sikkim, and even Tibet, to get better records of rainfall and quicker flood warnings. There is to be more afforestation and gully plugging to stop erosion in the main rivers' catchment areas. There are to be many more dikes built by village co-operatives or voluntary labour. The high dams will also help. This year's floods in Orissa would have been worse still had it not been for the half-built Hirakud dam. Floods cannot be done away with altogether without gravely reducing the fertility of many areas. But what is wanted is a gentle overflow, not an onrushing mountain of water. In five years' time this should be achieved for all except the worst rivers in the worst years.

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Hindi versus Regional Languages

THERE have been many signs recently that India is settling down to the problem of just how Hindi is to replace English. The Official Languages Commission, appointed in accordance with the Constitution to suggest the steps by which Hindi should become the official language, has begun work. The Syndicate of Bombay University has recommended a gradual change over to Hindi as the medium of instruction, and a new university to be started in Gujerat, Vallabh Vidyanagar, will use Hindi from the beginning. In the Hindi-speaking states Hindi is already used for most official purposes, and even at the centre it is spreading gradually.

There have, however, been signs that the transition will not altogether be easy. Few are willing to see the present

widespread knowledge of English seriously weakened, though more would like to see India's educated men less fluent in English conversation. The supporters of the regional languages, moreover, are beginning to show a desire to set limits to the spread of Hindi. The Andhra Legislature, for example, has decided to adopt Telugu as its official language. The universities of Poona and Gujarat are to change over to their regional language as the medium of instruction. In a recent debate in the Madras Legislature the government benches showed nearly as much concern as the opposition that the changeover to Hindi should not go too quickly, that the advantages obtained from a knowledge of English should not be lost, and that Hindi should not be used where Tamil was possible. There was much emphasis on the fact that the constitution makes Hindi the official language, not the national language.

Certainly for most purposes it will be the regional languages rather than Hindi which will replace English. That has been generally accepted for such purposes as local administration. Controversy, however, still continues over what language should be used by high courts and universities. National unity argues for Hindi, efficiency and contact with the people for the regional language. Hindi's chances of success would be greater if its vocabulary were more settled and some of its advocates less aggressive.

Black Looks for Prize Competitions

THE role played in England by football pools has hitherto been taken in India by prize competitions, mostly of the crossword or missing word variety. Prizes have been high, sometimes running into thousands of pounds, and many people have spent more than they can afford on sending dozens of entries every week; even the illiterates have competed; they have their own tipsters to tell them what letters to fill in. These prize competitions arouse in the Indian intellectual the same distaste that football pools produce amongst most of England's educated. But in India the intellectual rules, and his dislikes are backed by a more than non-conformist puritanism in virtually the whole of the middle classes. This means that the Indian middle classes have very few vices. They do not drink or gamble or keep mistresses. It also means that a certain "Wee Free" air clings to all Indian politics.

The reaction to prize competitions has been not actually to ban them, but to reduce them to a level where they can no longer drive anyone to suicide ; the maximum prize will be £75, no competition can accept more than 2,000 entries and competitions must be licensed. Many an anxious mother will now be able to sleep soundly ; and every promoter of competitions will be assured of a fortune, which need not ever be known to the income tax, since only the first 2,000 entries will appear on his books, and though his prizes will be smaller, they will not be small enough to stop people from trying their luck.

Putting Over the Community Projects

THE community projects are an attempt by the government to help the peasant to help himself. They put into the countryside more people skilled in medicine and animal husbandry, agriculture and co-operation than it has ever had before. They bring demonstrations of better methods

to the peasant's own village, and they offer him public money to improve his life provided he will match it with his own money or labour.

his own money or labour.

They began in a small way three years ago, and by 1961 projects or the more dilute "National Extension Blocks," are to cover the whole country. Certain successes and certain difficulties have already become apparent. The peasant will everywhere accept very quickly a new method that he can see is profitable. Use of fertilisers is rising rapidly; the Japanese method of rice growing, which on suitable land can increase yields by half or more, is being adopted by the hundred thousand acre; the demand for improved seeds is constantly outgrowing the supply. The peasant is keen, too, on education for his children and health for himself. It is easy to raise contributions for schools and libraries, and the nation-wide DDT campaign against malaria arouses real appreciation.

But the peasant is less appreciative when the advantages are more recondite. He is often suspicious of the midwife ; he can be shy about learning to read at his age ; he may prefer the fields to a latrine. If he is to be persuaded, the project staff must treat him as an equal, as a man who has reasonable doubts which must be resolved. Endless patience, endless talk is necessary, and here the project staff sometimes fall down. They remember they are educated, and do not come down to the people's level. They remember they are officials, and exert pressure to make the villager do what is good for him, instead of waiting till he acts on his own initiative. Whenever that happens, there is failure. The villager is always willing to put on a show to oblige the government officials. But if the show is for their benefit, not his, he forgets it the minute they leave.

Austerity Weddings?

IT has been suggested by the Congress Party that the problem of raising enough money to finance the second five-year plan would be half solved if only people could be induced to spend less on weddings. This expenditure was put at some £500 million a year. The estimate was doubtless unreliable, but the expenditure is certainly enormous. The poorest family will spend six months' income or more on a single wedding. If that could be stopped, the major cause of unproductive debt and of the waste of money in gold and jewels and fine clothes would be cut off at a blow, and the saving would undoubtedly be large. Women who did not get silk and gold at their wedding would be unlikely to buy them afterwards; there would always be better uses for the money. But the government's problems would not all be immediately solved. The father who marries his daughter on the cheap may use the money to live a little better, or to improve his land, rather than to buy saving certificates. The gap in the plan would, nevertheless, be considerably reduced. Urban fathers who no longer have to bear the expense of an old style marriage may well buy some government securities as a nest-egg for their daughters. Farmers who do not have to contemplate ruinous wedding after ruinous wedding will be able to buy fertiliser with their own money instead of with government credit. The Congress was right. Nothing would help India's development more than to stop wasteful expenditure on marriage. The only question is: How?



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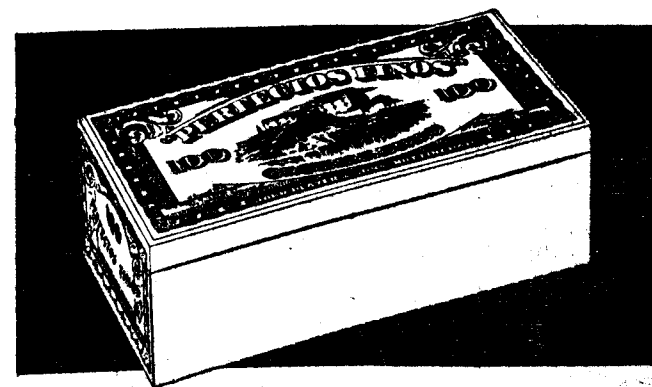
Chaque fois que le
 EVERY TIME THE
chasseur fatigué tire avec
 WEARY HUNTER FIRES
son fusil les petits
 HIS GUN THE LITTLE
lapins se tordent de
 RABBITS ROCK WITH LAUGHTER.
rire. Prenez un Dubonnet,
 HAVE A DUBONNET,
chasseur! Cela fortifie
 HUNTER! IT FORTIFIES
les bras et aiguise
 THE ARM AND SHARPENS
l'appétit pour le pâté de
 THE APPETITE FOR RABBIT PIE
lapin. (Courez, lapins, courez!)
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structural plastics

*a new subject for
ventilation and
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*What are
structural
plastics?*

Structural plastics consist of a reinforcing agent, such as glass fibre, bonded with a synthetic resin, most commonly a polyester type resin. Polyester/glass fibre mouldings can be made either mechanically or by hand fabrication and their essential characteristics are . . .

Lightness combined with strength—specific strengths comparable with steel.

High resistance to corrosion by a wide range of chemicals, including some acids, and to all but excessive heat.

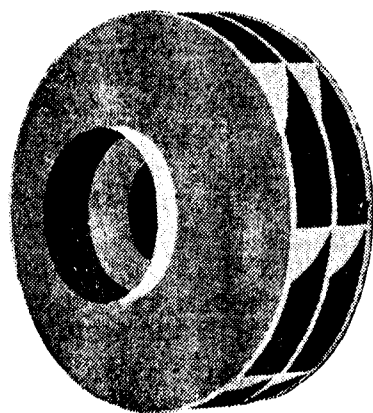
Excellent electrical properties—high breakdown and low power factor, combined with good insulating and non-tracking properties.

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THE BUSINESS WORLD

The Budget Proposals

MR BUTLER'S interim budget, as expected, proves to be compounded of non-budgetary as well as budgetary measures; and the former, likewise as expected, prove to be much more constructive than the latter. In each of these categories there are two major innovations, but only one of these will exert its main effect on the public sector of the economy. This is the welcome decision that local authorities shall no longer have the virtually automatic right to borrow from the Public Works Loan Board; in future they will be required to explore first the possibilities of obtaining finance through market channels. The other major—and equally sensible—non-budgetary change is that the Post Office will on January 1st adopt an economic pricing system for telephone and other services, with the result that its charges (mainly for telephones and parcel post) will rise to an extent that will bring in an additional £26 million in the calendar year 1956.

The two main budgetary measures are increases in purchase tax and distributed profits tax. Purchase tax is to be raised throughout the range by one-fifth, so that the rates in the three brackets become 30, 60 and 90 per cent, while the "D" scheme for furniture and clothing is to be abandoned and those goods will be taxed at either 5 or 10 per cent on the whole of their wholesale price. These changes are expected to produce £15 million of additional revenue this year and £75 million in 1956-57. The one thoroughly retrograde step is an increase in the rate of profits tax on the distributed portion of profits from 22½ to 27½ per cent—a change that will have negligible effects on the revenue in the current year, but will bring in £10 million in 1956-57 and £38 million in the first full year (presumably 1957-58). Including the Post Office charges, the total additional burden imposed in taxes

or charges payable in this current fiscal year will be no more than some £20 million, but in 1956-57 the burden will rise to £111 million, and two years after that will reach its full weight at about £140 million.

These specific new measures are to be reinforced by administrative pressures, of the kind first outlined or promised in the Chancellor's speech last July, to bring about a contraction or slowing-down of the capital expenditures of the local authorities, nationalised industries and other public bodies; by some postponements by the central government itself; and by the action, already announced in general terms, to curtail housing subsidies.

The decision to reinforce the credit squeeze and the previously promised administrative action within the public sector was not, the Chancellor made plain, dictated by any assumption that Britain now faces an immediate emergency. Its weakness still is its "over-ebullient prosperity"; and "things" have actually shown a "distinct improvement" during the past month. But the credit squeeze had worked since February "less rapidly than we expected or intended," and it was still impossible to be sure how great an effect would be exerted by the sum of the measures already taken. In the meantime, wage demands and industrial unrest, and rising expenditure on both consumption and investment, had revealed a "significant degree of inflation," so that the government feared that new pressures would reinforce the old before they had been sufficiently checked. In short, the government obviously feels that it has not been driven inexorably to new "emergency" action, but is intervening—as it claimed to be doing last February—"in good time." What a pity it is that the measures themselves are not as long-sighted as the professed intentions of policy.

Squeezing Municipal Finance

BY far the most important of the measures for pruning the public sector are those that impinge upon the local authorities, the investment outlays of which account for roughly one-quarter of the nation's whole investment. Their expenditures will be affected in three ways. First, the recasting of the housing subsidies, working in conjunction with the rise that has already occurred in the cost of local borrowings and the further modest rise that may now occur, will reduce next year's housing outlays substantially below this year's high level. Secondly, local authorities have been asked to keep all other capital expenditures in 1956-57 to a level not exceeding the amount spent last year; these expenditures are now running at well over £200 million a year. Thirdly, the authorities will have to face the discipline of the new arrangements at the Public Works Loan Board.

These arrangements mark a sensible and natural extension of the policy started at the beginning of 1953, when local authorities were released from legal obligation to borrow (for nearly all their long-term needs) from the Board and were left free to borrow in the market if it suited them to do so. They retained, however, the absolute right to borrow from the Board within the limit of their loan sanctions. Now this right is to be subject to the important qualification that all applicants will first be "put on inquiry as to their ability to raise the finance on their own credit, either in the stock market or in the mortgage market." This means that all authorities that can secure alternative finance on terms judged reasonable by the PWLB will be expected to do so. Moreover, the Board's lending rates, as prescribed by the Treasury, will no longer be kept approximately in line with those paid by the Government itself for corresponding periods but will be rates appropriate to the credit of "local authorities of good standing in the market." This test, however, will be used to establish only one single scale of rates, so that authorities that are unable to borrow in the market will get their finance on terms no less favourable than those secured by "good" authorities. Very broadly, the likely result is that the bigger authorities will normally now borrow in the market for all or most of their requirements while the smaller ones will secure a large part of their finance through the board. The present rates are 5 per cent on advances for periods of five years or over, and 4½ per cent for loans up to five years. Given current market levels, Mr Butler considered these rates "a fair starting point" for the new policy.

The aim is to foster the authorities' own sense of financial responsibility; undoubtedly this highly desirable purpose should be served in a material degree. But, for obvious reasons, it is not to be expected that there will be any quick impact upon the actual spendings of the authorities. Any extension of the use of the market mechanism in this sphere is, however, to be

welcomed, both on these broad grounds of promoting efficiency and economy, and for a more technical reason. Local borrowings from the PWLB have risen in the fiscal year to date to £223 million, or £83 million more than in the similar period last year, whereas over the full year they had been expected to fall from £353 million to £320 million. This pressure has naturally involved a similar increase in the Treasury's own borrowings, and since its requirements are met by Treasury bills, this means that the effort to impose the squeeze upon the supply of liquid assets to the banking system has been impeded. The new process, in its impact both upon the banking system and upon the wider capital market (including the mortgage market), will tend to accentuate the spreading money stringency.

Changes in Purchase Tax

THE Chancellor has made the most sweeping changes in purchase tax since he introduced his first budget in 1952. He has raised existing rates of tax by a fifth; he has brought into the scheme a range of household goods, including table china, that had until now been tax free; and he has completely recast the special schemes that applied to clothing and furniture by ending the "D" scheme, replacing it with a flat rate of tax at the low rates of 5 and of 10 per cent. The changes are expected to yield £15 million this year and £75 million in a full year. Of the three rates of purchase tax ruling before the budget the lowest, that of 25 per cent, goes up to 30 per cent, which can be taken to mean a 3 per cent rise in retail prices (about 7½d. in the £1). The second rate, 50 per cent, goes up to 60 per cent, equivalent to a 5 per cent rise (1s. in the £1), while the highest rate, 75 per cent, is raised to 90 per cent, representing 6½ per cent increase or 1s. 3d. in the £1.

In the first group, now taxed at 30 per cent, fall wall paper and stationery, drugs and bicycles, certain types of flooring, the chassis of commercial vehicles and most household goods, including many household items that have never been taxed before. The most important of these additions is table china which had enjoyed special exemption ever since purchase tax was introduced early in the war. A tinker's miscellany of saucepans, bread boards, pot scourers, coal scuttles, irons, kitchen scales and shopping baskets are also subject to tax for the first time, while an even stranger collection of items, such as cut glass, vases, gold and silver picture frames and trophy cups get concessions that mean they are taxed at the lower, rather than the higher rates. Clothing and furniture, which were also taxed at 25 per cent above the "D" levels, are no longer counted in with this group but are subject to new arrangements.

The goods that are now taxed at 60 instead of 50 per cent include most of the consumer durables, like cars, television sets, washing machines, and jewellery. No additions have been made to this category and there

have been one or two withdrawals, such as wool piece goods, cut glass and goldsmiths' products. Furs, for some obscure reason, continue to bear tax at the old rate of 50 per cent, the only goods to do so, but fur gloves will now go down to 5 per cent. The only goods in the top tax class, now 90 per cent, are cosmetics and the more lavishly coloured greeting cards.

The impact of these changes on retail prices is not severe in the group taxed at 30 per cent—except for those attracting tax for the first time. For the rest, it adds perhaps 10s. to the price of a £17 bicycle. But in the class of goods attracting tax at 60 per cent the increases are significant, even though they may not be weighty enough to put a brake on sales. The price of a car, which would have sold on Wednesday morning at £700 including tax, now costs £40 more. A £65 television set is £3 5s. dearer; a £20 vacuum cleaner, £1 dearer and a 5s. lipstick becomes 4d. dearer when it attracts tax at 90 per cent.

End of the "D" Scheme

THE most surprising of the changes in purchase tax is the decision to end the "D" scheme and in its place to tax all goods that were subject to it at a flat rate of 5 per cent, and in one or two cases at 10 per cent. The "D" scheme applied to furniture and clothing only, and was a legacy of the utility schemes in those industries. It laid down for each type of goods a wholesale price, or "D" limit, below which the goods were tax free. If their price exceeded the "D" limit, only the excess attracted tax. This scheme achieved two objects; it ensured that some tax-free goods were available, and it softened the impact of purchase tax on retail prices so that there was no longer a noticeable gap between the price of the taxed and the untaxed article.

The textile industries have, however, consistently maintained that a high rate of purchase tax, coupled with the "D" scheme, was doing serious harm to the development of better quality fabrics on which textile exports depended. Lancashire succeeded this spring in persuading the Chancellor to remove all purchase tax from non-wool textiles sold as piece goods, although he refused to extend the concession either to made up clothing (taxed at 25 per cent) or to wool piece goods (taxed at 50 per cent). The ending of the "D" scheme now means that there is no tax-free furniture and no tax-free clothing. Instead, most clothes and most furniture will carry a 5 per cent tax; some items like hats and wool piece goods, attract tax at the rate of 10 per cent and the few pieces of furniture that were outside the "D" scheme, office furniture in particular, attract tax at the rate of 30 per cent. Some textiles are altogether free of tax, notably non-wool piece goods and household textiles, and wool rugs and blankets. Babies' clothes and equipment are also exempt.

This change is likely to bring in the same amount of revenue as the "D" scheme, but it also brings substantial tax concessions to the better quality goods,

the price of which was too high to feel any advantage from the "D" concessions. A man's overcoat, for example, retailing at £5 was tax free under the old arrangement. It now carries 3s. 9d. tax. But a coat that cost £12, and formerly carried 10s. tax, now carries only 8s. 6d. and is therefore 1s. 6d. cheaper, and the higher the price the bigger the tax saving. Shoes that retail for £2 5s. and were formerly tax free, now carry 1s. 7d. tax; those that sold at £4 and carried 4s. tax, show a saving of 1s. 3d. today. The Chancellor told the House of Commons that these arrangements were specifically designed to help exports by removing the special handicap suffered by quality goods at home; it is now up to the textile industries to prove, by their performance, that it was in fact the effects of purchase tax at home that held them back abroad.

With the end of the "D" scheme the Chancellor has rejected one of the most cherished arguments of the opposition—and of some of his own supporters—the belief that the home market has a right to some tax-free output. His action may be welcomed by producers at the upper end of the textile trade, but it is certain to be greeted with an outcry by those producers who have profitably concentrated on tax-free lines—and it will be unpopular in the furniture industry, which has no export trade to speak of, which sold the bulk of its output tax-free, and which is just emerging from its spring slump. But the effect on furniture prices is not severe; a £25 wardrobe, which was tax free, will now carry 17s. 6d. tax, and a £17 table will carry 12s. At £22, the tax is the same, 15s., under both the old and new arrangements, above that, the new rates begin to show tax savings. These slight increases, even when they are spread over the furniture for a whole house, are likely to carry less weight with intending buyers than the hire purchase terms that they are offered.

Profits Tax Calculations

THE decision to raise the profits tax on distributed profits from 22½ to 27½ per cent can hardly come as a surprise to the City. The straws have been in the wind for some time. Has not Mr Butler in more than one speech urged the need for dividend restraint? His argument for following up the word with the blow is, to put it baldly, that higher dividends in themselves are directly inflationary. The Chancellor must be aware of the counter argument: that if dividends do go up some of the additional personal income accruing from them will be mopped up in surtax and that the fractional residue is at least as likely to be saved and reinvested as it is to be spent. He did not explicitly prop his decision with the argument that any measure likely to cut down the flow of dividends can serve as a counterpoise to claims for higher wages. Instead he seems to be content with the old argument, recently rebutted by both the majority and minority reports of the Royal Commission on Taxation, that retained

profits (which are encouraged by differential rates of profits tax) are in themselves good for the economy.

But the milk is spilt. The distributed profits tax has been raised while the undistributed profits tax has been left unchanged at 2½ per cent. How then, will the new tax work? The new rate of 27½ per cent will operate for all accounting periods beginning on or after November 1st. Arrangements have to be made to "split" earnings between the old and the new rates. For example, a company whose financial year ends on December 31st, will pay profits tax at the old rate on 5/6ths of the year's profits and dividends and at the new rate on 1/6th of them. The first full accounting year to attract the new rates will end in October next year, and payments at the new rate will become fully effective during the fiscal year 1958-59.

Investors will be concerned with the arithmetic for a full year's profits charged at the new rate. This can be put in the simplest terms. First, the taxable profits of any British company are subject to income tax at 8s. 6d. in the £. Secondly profits tax, as charged under the new rates, takes two bites—one of 2½ per cent on the total assessed profits and another of 25 per cent of the gross amount (that is the amount before deducting income tax) of any preference and ordinary dividends that are paid. So the 25 per cent slice varies according to the size of the dividend; hence any calculation of true earnings on a company's ordinary capital must take account of the additional profits tax that would have to be paid if profits were being distributed up to the hilt.

For such a full distribution it is possible to arrive at a simple equation. Taking profits as 100 and the net dividend (that is, after deducting income tax) as x , the arithmetic proceeds:

Income tax at 8s. 6d. in the £ 42½
Undistributed profits tax at 2½% 2½
Leaving to be divided between the net dividend and distributed profits tax 55

Therefore $x + \left\{ \frac{40}{23} \times \frac{25}{100} \right\} = 55$

Therefore x , the net dividend = 38.33.

Thus the following comparisons emerge:

OLD RATE		NEW RATE	
Income tax (8s. 6d. in £)	42½	Income tax (8s. 6d. in £)	42½
Undistributed profits tax (2½%)	2½	Undistributed profits tax (2½%)	2½
Net dividend	40.8	Net dividend	38.33
Distributed profits tax (20% of gross dividend)	14.2	Distributed profits tax (25% of gross dividend)	16.66
	100.0		100.00

From these calculations it can be seen that from any sum available for distribution (which will already have paid income tax and 2½ per cent profits tax), distributed profits tax will take 16.66 out of 55, or, more simply, ten out of thirty-three. Therefore only 23/33rds of retained earnings can be paid out in net dividends. The

rough rule of thumb is to reduce undistributed by one-third to allow for the additional tax that would fall due on full distribution.

How can this formula be best applied to actual calculations from a profit and loss account in which the dividend has already attracted income tax and distributed profits tax? There are a variety of ways of making the adjustment but the following two-stage method probably works most smoothly in practice. First, find the unadjusted gross earnings per cent by multiplying the gross dividend rate by the amount of net equity earnings and dividing by the amount of the net dividend. Secondly, deduct 10/33rds (or roughly a third) of the unadjusted rate of gross retained earnings (that is the difference between the unadjusted earnings rate and the dividend rate) from the unadjusted gross earnings rate. Here again an arithmetical example is the best guide.

Assuming that the amount of the net dividend is £50,000, representing a gross dividend rate of 10 per cent, and that net earnings after income tax and 2½ per cent profits tax on the whole profits are £400,000, then the unadjusted gross earnings per cent are:

$$\frac{400,000}{50,000} \times 10\% = 80\%$$

Net unadjusted retained earnings are thus:

$$80\% - 10\% = 70\%$$

If earnings were distributed in full, distributed profits tax would take about one-third of that 70 per cent, that is 23.33 per cent. Hence the true earnings rate is:

$$80\% - 23.33\% = 56.66\%$$

The statisticians can now get busy with their slide rules re-calculating earnings cover on dividends. But they will not have to go far in their calculations to realise that if, under the old regime of a 22½ per cent tax, there was an excess of earnings of about 4½ per cent over and above the gross dividend rate (that is, say, for an ordinary dividend of 12½ per cent earnings were 17 per cent) then it is still possible to pay exactly the same dividend under the new rate of distributed profits tax. Where the earnings cover is high investors need have no fears—so long as profits are buoyant—that the new rate of tax will lead to a cut in dividends. Their real concern, putting all arithmetic aside, is whether the impact of the higher tax in the boardrooms will reinforce the trend to conservatism and caution in dividend policies that the credit squeeze is already bringing out into the open.

Making the GPO Pay

THE supplementary budget provides the occasion for the Post Office to raise its charges; but these new charges are not emergency measures that might be withdrawn when the crisis is over. If no action had been taken now something like the additional £26 million that the Post Office is to draw from the public—

over £19 million of it from the telephone service and the rest from the parcels post and certain sections of the letter post—would have had to be imposed sooner or later, and the later the action the greater would the increase have had to be. The facts as revealed by the GPO Commercial Accounts each December provide a picture that is misleading in a way all too familiar in industry, both nationalised and private. The department shows a useful profit usually around £5 million, though wage increases and higher material costs would have turned that into a deficit of £3 million by the year ending March, 1957, if action had not been taken. The Post Office provides full normal depreciation (except on the telegraph account) and in respect of telephones which provide most of the apparent profit and absorb most of the investment (£87.7 million out of £95.2 million this year) the department has tucked away useful little additional sums towards the increased cost of replacements.

Yet the telephone account was on the road to insolvency. Normal "straight line" depreciation, plus the extra sums ploughed back, were deficient by £12½ million a year to replace the equipment at current cost; the greater the demand for telephones the greater the prospective deficit, for the very reason that the telephone was cheap and the demand for it insatiable. "A telephone in every home" was a fine slogan. A telephone at a loss in every home is another matter.

★

Wisely the Postmaster General has discarded all half measures and moved to a full replacement basis. He has also had to provide for the substantial increases in wages estimated to amount to £14 million between 1954-5 and 1956-7 and for a rise of £3 million in other costs. Fortunately, technical progress and managerial progress make it possible to absorb part of the extra cost.

Finally, this is the moment chosen—and a good one—to come to terms with the Chancellor of the Exchequer. The Post Office is not an autonomous tax-paying body like the more recently nationalised industries. It is a government department engaged in trading. It pays neither income tax, profits tax, nor even vehicle duty, but its profits accrue to the Treasury, and though profit is not the object, it is understandable that the Treasury should demand some contribution in lieu of the substantial tax exemptions that the Post Office enjoys. From the Postmaster General's point of view it is equally wise to make a long term bargain with the Treasury. He has been able to settle on a five-year basis at £5 million a year—a figure that happens to be less than half the £10½ million that the Post Office contributed annually to the Exchequer under the prewar Bridgeman plan. The department must also budget for a reasonable margin of safety. It has been decided to aim at a surplus of £5 million a year in place of the prospective deficit of £3

million. The margin is small in a turnover of over £300 million. The figure of nearly £26 million to be found can be expressed as a simple sum:

ADDITIONAL INCOME REQUIRED		ADDITIONAL INCOME TO BE PROVIDED FROM	
	£ Mn.		£ Mn.
Initial Deficit	3	Telephones:	
Exchequer Contribution	5	Rentals	9.75
Supplementary Depreciation	12½	Local Calls	7.00
Budgeted Surplus	5	Other charges	2.25
Improvements in Services	0½	Telegraphs:	
		Ship-shore	0.10
		Posts:	
		Inland services	5.70
		Foreign parcels	1.10
Total	25½	Total	25.90

The nature of the problem determined the solution. The postal services—particularly those sections of it that are uneconomic—express letters and parcels—had to make some contribution. The bulk of the extra charges had to fall on telephone rentals (the charge to subscribers for local calls is also being raised from 1½d. to 2d.; trunk calls—thanks to the coaxial cable they show a big profit—are left alone, and there is a technical as well as a political reason why the call box—the poor man's telephone—has to remain untouched). The two cheapest rentals, the country residential shared and the country residential exclusive, each rise £3 a year; the most expensive, the London business exclusive, goes up only £1.

To submit that bill has required political courage. There may be room for argument about details. Was it necessary to raise at all the London business telephone

TELEPHONE RENTALS

	Exclusive Line			Shared Line	
	1938	1955	1956	1955	1956
	£ s. d. per annum				
Business Line:					
London	7 2 0	11 0 0	12 0 0	9 10 0	10 10 0
Big Cities	6 10 0	10 0 0	11 10 0	8 10 0	10 0 0
Provinces	5 18 0	9 0 0	11 0 0	7 10 0	9 10 0
Residence Line:					
London	5 4 0	8 0 0	10 0 0	6 10 0	8 10 0
Big Cities	4 12 0	7 0 0	9 10 0	5 10 0	8 0 0
Provinces	4 0 0	6 0 0	9 0 0	4 10 0	7 10 0

rental, already at £11 a year and showing a profit? Was it really worth while to do the cheeseparer operation on the extra ounces in the 2½d. letter post, which shows a good profit? But a welcome conclusion may be drawn. Recipients of the service are being asked to pay what the service really costs. While the principle is accepted there is no reason why the British Post Office should sink into the condition of permanent deficit that characterises the postal services of many other countries, not excluding the United States.

Business Notes

Snap Judgment

THE worst is known. And it is not as bad as Throgmorton Street had expected. That is the snap judgment of the City on the Budget. On Thursday the market's behaviour suggested that the Budget was not really disinflationary. As soon as the market opened industrial share prices were marked up sharply. Nor was that reaction confined to the leading equities on which the earnings cover is so high that the increase in the profits tax is no more potent than the bite of a gnat. It covered the purchase tax shares as well. Household goods, electrical equipment, store, motor, hire purchase and even building issues all went ahead. The technical rally that had begun before the Budget was sustained. By the close of the day the *Financial Times* ordinary index had risen by 5.4 points to 193.6—compared with 183.8, the point to which it slipped when the decision to have an autumn Budget was announced.

HOW EQUITIES MOVED

	July 21	Oct. 19	Oct. 20	Oct. 26	Oct. 27
Assoc. Electrical	85/9*	77/-	76/-	78/-	79/4
Assoc. Portland Cement	132/6	101/3	97/9	100/-	101/9
Brit. Motor Corporation	15/14	10/3	9/8½	10/-	10/3
Brit. Petroleum	136/3	100/7½	98/3	103/9	109/4½
Courtaulds	52/3	43/1½	41/6	42/10½	44/6
Dunlop	31/7½	26/9	25/3	25/9	26/9
Ford	55/-	44/-	41/9	42/3	43/5
GUS 'A'	55/6	41/3	39/7½	40/-	42/6
Hawker Siddeley	64/9	50/-	47/-	48/9	52/-
ICI	56/6	47/-	45/7½	47/3	48/9
Imperial Tobacco	63/9	60/7½	59/9	59/9	60/9
Lancs. Cotton	30/10½	26/3	26/-	26/10½	27/9
Marks & Spencer 'A'	75/-	64/-	61/9	63/-	65/-
A. E. Reed	113/9	91/3	88/9	88/9	92/-
Rolls-Royce	132/6	107/6	104/3	107/-	111/6
'Shell' Transport & Trading	152/6	125/-	123/1½	125/-	128/3
Stewarts & Lloyds	78/-	67/3	65/6	68/-	91/6
Turner & Newall	118/-	97/3	95/-	97/9	100/3
Vickers	45/6	38/-	37/9	39/3	40/9
Woolworth	64/-	57/9	56/6	58/3	59/9

* Adjusted for 1 in 4 rights issue.

As a natural converse, gilt-edged prices, which had been rising in anticipation of cuts in capital expenditure, were marked down. Again the only conclusion from that is that Mr Butler had not done what investors expected of him. Towards the close the long-dated and undated gilt-edged stocks dropped sharply on the news that demands for higher wages were to be stepped up.

Mature judgment and the progress of the Budget debates could naturally modify that initial reaction. So could the credit squeeze still stealthily tightening its grip. And it will take some time to see how the new arrangements for local government financing work out. Time will also be needed to see how constructional and building programmes will

fare—perhaps here more than anywhere else Throgmorton Street may have to revise its first judgment. On the general run of equities the arithmetic effect of the increase in profits tax on the cost of dividends is only moderate but it may have a marginal influence on dividend policies, while there are other factors at work urging directors towards caution.

A Reassurance for Sterling

THE foreign exchange market shows little reaction so far to the Chancellor's reassuring references to sterling in his Budget speech. On Thursday the spot rate against the dollar, which had closed overnight at around \$2.79½, weakened slightly to \$2.79¼. But some Continental currencies moved in favour of sterling, notably the Dutch guilder and the French franc, and others, including the German mark, kept rigidly steady. Probably a substantial short interest in sterling remains uncovered and many commercial buyers of it are still living hand to mouth. The apathy can be understood for there was nothing in the Budget statement to make for a dramatic change in sentiment towards sterling, notwithstanding the tone of confidence in the currency that ran through the Chancellor's words.

He recorded an improvement during the past month, and noted that since he spoke at Istanbul in the middle of September, sterling has strengthened, and the British losses of gold and dollars had been checked, thus re-emphasising the earlier announcement that the whole of the \$112 million of gold lost during September occurred during the first half of that month, before the Istanbul speech, and that since then the gold and dollar reserves had held more or less level. The Budget reference moreover seems to imply that this check on the gold drain has held good during October and therefore that the settlement this month of the September deficit, with the European Payments Union, involving a gold payment of £21 million, must largely have been offset by gold and dollars regained by the Exchange Equalisation Account in its normal operations in the exchange and bullion markets. The Chancellor also announced that "our current deficit in EPU has been greatly reduced." In September it reached the exceptional figure of £38 million, of which in accordance with the new formula 75 per cent was settled in gold and dollars this month and 25 per cent by increasing the United Kingdom debt to the Union. The wording of the Chancellor's statement suggests that though this has not yet been converted into a surplus, the amount of the deficit for October should be much smaller.

Stripping the Strippers

THE Chancellor in the Budget turned his attention to the device of "dividend stripping," to which the minority report of the Royal Commission on Taxation gave some prominence. Measures will be incorporated in the Finance Bill to block this loophole through which those intent on tax avoidance—much to the annoyance of the Inland Revenue—have been able to wriggle. The dodge—it deserves no better word—has been employed by companies (mostly private companies) that had accumulated large balances of profits in a liquid or near liquid form. These profits, having been subjected to income tax, were available for distribution as taxed dividends—though they were still liable for a distributed profits tax charge, and in the typical private company, would have attracted a heavy surtax charge on the recipients.

If such companies were bought by a finance house the shareholders received a tax-free capital payment. The finance house could then extract the accumulated reserves by means of a special dividend and then immediately sell the residual assets at a corresponding loss. Since the finance house's receipt of the net dividend could be offset—in some cases more than offset—by the loss on the capital transaction, an amount corresponding to the current income tax on the capital loss could be claimed back from the Inland Revenue. The gain could then be shared out between the original owners of the company and the finance house. The measures designed to prevent such evasions will require a nice choice of phrasing, but they will be worthwhile—even though many have succeeded in doing what is now to be stopped.

A Two-month Treasury Bill

AN interesting innovation in Treasury practice in its borrowings on Treasury bills issued by tender will be seen in the near future. It was announced last week that "on and after" October 28th the regular Friday invitation to tender for bills on the following Friday (for payment during the week after that) may include bills with a currency of 63 days. Such bills will not be offered each week, but only as and when the needs of the Treasury so require. There is no intention, therefore, to displace the 91-day bill as the standard form of borrowing; but the Treasury is giving notice that at times, it may offer either both types of bills at the same tender or only 63-day bills.

The purpose of the change is, of course, to give additional flexibility to floating debt borrowings, so as to enable the Treasury to match its maturities more readily to the fluctuations, seasonal and otherwise, in the flow of its revenues, and thus to secure a smoother dovetailing of Treasury operations with the workings of monetary policy. Especially in the "revenue" quarter of each year, the task of employing the revenue surplus in debt repayment in such a way as to avoid dislocation in the flow of funds in the money market is a complex one. It threatened to be especially complex in the new year, because on this occasion it happens that there is no bond issue (or the remnant of a mainly converted

issue) maturing at that time. It is likely, therefore, that the two months bill will make its debut in the early future, so as to enlarge the volume of Treasury bills falling due in the weeks of peak revenue inflow. The issues when they appear, will not be unique. The Treasury has legal power to issue Treasury bills with any currency ranging from one month to not more than twelve months. Not since 1910, however, has it ever issued a two-month bill, and since 1917 all bills have had a life of either 3 months or 91 days.

Slower Fall in Advances

THE individual bank statements made up on October 19th suggest that in the preceding four weeks the pace of decline in the advances of private borrowers had almost certainly slackened. But that need not imply that the squeeze is abating: it may mean merely that the pressure on overdraft limits has yet to exert its full impact on actual repayments. Advances of the eleven clearing banks together fell by some £17 million. This fall is in no way comparable with the fall of £123 million in the (five week) September period, as at least three-quarters of that was attributable to repayments by the Electricity and Gas authorities from the proceeds of calls on their loans of £120 million.

In the latest four weeks there was only one call of £20 million, on the Gas loan; and after allowing for current requirements, it is doubtful whether net repayments by the two utilities to the clearing banks can have been very large. Of the total fall in advances of £17 million, repayments by private borrowers probably accounted for at least £10 million. This would amount to no more than around one-third of the estimated repayment in the previous five weeks; but it should be noted that the trend has been distorted by a special transaction for a giant customer of the National Provincial—so that this bank's advances were actually up, by £8.6 million.

The banks' investment holdings changed little in the October period, a reduction of £7.5 million shown by Barclays being a little more than offset by an increase of £6.6 million by Lloyds and smaller increases by three other banks. The fall in advances was more than offset by a rise in liquid assets, so that deposits rose (by £31 million) and liquidity ratios improved considerably in all the big banks save the National Provincial (35.8 to 33.6 per cent) and Lloyds (33.5 to 33.4 per cent). Barclays raised its ratio to the high level of 36.3 per cent; this ratio, and also that of the District and Martins, was actually higher than twelve months previously.

Conversion Success

THE result of the conversion side of the operation for refinancing the £524 million of serial Funding stock, due for repayment in a fortnight's time proved even more unexpected than that of the cash issue. Conversion applications for the new 4 per cent stock, 1957-58, totalled no less than £425 million, so that only £99 million

of the Funding stock remains to be repaid in cash. This means that the whole operation proves to be almost precisely self balancing, since the portion of the £250 million cash issue taken up by "genuine" cash subscribers—that is, by applicants other than the "departments"—is believed to have been not far short of £100 million. That in itself was regarded as a satisfactory response, but it was still generally expected to fall some way short of the cash requirement, so that some net addition to the government's borrowings on tender bills (and therefore some relaxation of bank liquidity ratios) seemed inevitable. Thanks to the scale of the conversion applications, this expected weakening of the technical position has been wholly avoided.

GROSS REDEMPTION YIELDS

	SEPT 5	OCT 10	OCT 19	OCT 25	OCT 27
Funding 2½% 1952/7	4 19 6	4 4 6	4 5 9	4 7 9	4 7 11
Nat. War 2½% 1951/6	4 15 1	4 3 2	4 5 9	4 5 9	4 6 1
Conversion 4% 1957/8	4 2 11	3 19 9	4 3 6	4 3 4	4 2 10
Serial Funding 2½% 1957/...	4 2 11	3 19 9	4 4 0	4 4 4	4 4 2
Conversion 2% 1958/9	4 17 0	4 6 5	4 7 2	4 7 0	4 6 11
Exchequer 2% 1960	4 14 6	4 6 7	4 7 0	4 7 3	4 7 4
Funding 2½% 1956/61	5 5 2	4 2 8	4 8 0	4 7 9	4 9 0
Funding 3% 1966/8	5 6 11	4 12 6	4 12 9	4 12 2	4 13 0
Brit. Elect. 4½% 1957/9	4 14 7	4 13 0	4 12 11	4 12 9	4 12 11
Brit. Gas 4% 1969/72	4 19 3	4 13 9	4 13 9	4 12 11	4 13 5
War Loan 3½%*	4 15 4	4 8 8	4 9 3	4 8 3	4 9 3
Consols 2½%*	4 10 10	4 3 7	4 5 3	4 5 2	4 6 1

* Flat yield To the latest date

The departments, it now seems, must have previously acquired a considerably larger proportion of the maturing stock than had been generally supposed; for so large a conversion could scarcely have been secured if large amounts had been still held outside in the industrial and special quarters that were absorbing the stock when the banks were selling it earlier this year. It is believed that most of the holders of this kind have not elected to convert, whilst the regional holdings of the banks and discount market, though evidently converted, were not really large. The result therefore suggests that the departments must have bought considerable quantities of the Funding stocks in recent months, and yet did not force the Treasury into any undue additional borrowings on tender bills. In other words, official policy in the gilt-edged market was tough enough to ensure, despite these purchases, that the departments were substantial sellers on balance.

Wool Credit Shorn

THE acceptance credit facilities regularly made available by the London market to finance the movement of Australian wool to France are being curtailed this year. In each of the past two years these facilities, provided by a banking group headed by Lazard Brothers & Company, extended a revolving credit up to a maximum of £15 million. That credit is being cut to £10 million for the new wool season. It has been stressed that the reduction is in no way due to the credit squeeze, and this is true in the sense that the initiative for the cut has not come from the lenders: it has come from the credit users—the Groupement d'Importation et de Répartition de la Laine,

who have in the recent past used less than the full facilities to which they were entitled. After the fall in the price of wool, they expect to have still less need of sterling credits over the coming twelve months.

There have, however, been indications that many importers of primary commodities on the Continent have been able to finance themselves more cheaply in other markets, notably in Amsterdam and Zurich, than in London and this may well be one of the contributory factors in the less than full utilisation of the previous line of the wool credit and in the decision formally to curtail these facilities in the coming year. This cut in the wool credit is an illustration of a contraction that has been apparent in many other lines of sterling acceptance credit facilities; it shows credit restriction effective at its most immediately beneficial point, namely, in reducing the outflow of short-term capital from London and in contributing towards some reverse movement towards this country.

Mauritius Asks for a Little

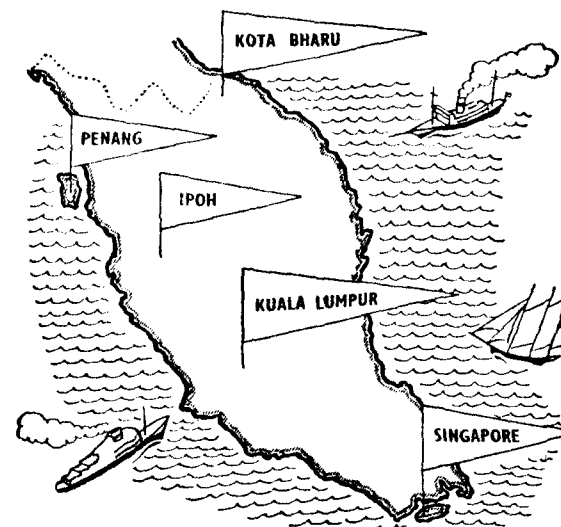
THE Crown Agents for the Colonies have come back to the new issue market with a small but attractive offer. The Government of Mauritius has issued £2,090,000 of a new 4½ per cent stock 1972-77 at a price of 97; of the total amount £390,000 has been taken up on behalf of the Colonial Government funds, leaving only £1,700,000 for public subscription. The subscription lists closed immediately on Thursday. The issue was heavily oversubscribed with some stags in the picture. The lists open on Monday.

The Mauritius loan is the first from the Colonies since the Uganda issue of a 4½ per cent stock 1968-73 at 97 came so badly to grief in August. About 70 per cent of that stock was left with the underwriters and the stock opened at 1½ per cent discount. But thanks to the subsequent recovery in gilt-edged prices that stock now stands at ¼ per cent premium. The terms of the Mauritius loan have been pitched close to the market valuation of the Uganda loan. The attractions of this trustee issue are to be found more in the high running yield of £4 17s. 11d. than in the gross redemption yield at £4 19s. 6d. to the final date of maturity. The Crown Agents have thus successfully tested the market with a small issue, preparing the way for the other bigger colonial claimants standing in the queue.

Large Tankers for BP

BRITISH PETROLEUM is the first major tanker operator in Britain to plump heavily for larger size tankers. It announced this week that it has placed orders for 23 new tankers, and all of them are over 30,000 tons deadweight. One only of the vessels will be in the 32,000-ton class, sixteen will be of 34,500 tons, and six will be of 42,000 tons. Nearly half of the new tankers planned in recent months by the oil and shipping companies are standard 18,000-ton vessels, although Shell intends to build twenty 32,000-ton tankers. A tanker of 42,000 tons deadweight is not the

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Gale Warning!

"Force 8"! That's the way they describe on the radio the tearing winds which are rated as full gales, the gales that lash the freezing Arctic seas into frenzy as the sturdy little trawlers seek the fish for you and your family.

Very annoying those interruptions on your favourite programme, when the laconic voice of the announcer says... "there are gale warnings for the areas Rockall, Iceland, White Sea, Faroes"... That doesn't mean much in the warmth and comfort of your home. But spare a thought for "those in peril on the sea", when the wind whistling round the eaves makes the security of your fireside seem all the sweeter.

Think of the men of the Distant Water Trawler Fleet, to whom the radio messages crackling across the thousands of miles of Arctic wastes—mean fighting

for their lives with lacerated and bleeding hands, eyes streaming from the icy blasts and sweat pouring from their struggling bodies in spite of the freezing cold. Fighting for their lives, for their ship and for the precious cargo of fish, which not only gives you the cheapest first-class food money can buy—cheap to you but very dearly bought by the men who fetch it back—but also provides the precious cod liver oil which brings health to man and beast, and the prime quality fish meal for which the stock-farmer clamours.

Force 8 against the force of character, the strength of resolution and body of the men of the Distant Water Trawler Fleet! Think of this when next you hear the gale warning on the radio.



BRITISH TRAWLERS

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B R I T I S H T R A W L E R F E D E R A T I O

largest ever to have been launched, but there are few with a deadweight tonnage of more than 40,000 tons; this announcement thus marks a major shift for an oil company in this country and also for the British shipbuilders who are to build all the tankers in the BP programme, apart from six 34,500-ton vessels which have been ordered from Italian shipyards. Negotiations have been taking place for some time, and BP has been able to persuade eight shipbuilders in this country to undertake the construction of these immense tankers and to promise delivery in 1958 and 1959.

With the announcement of the orders placed by BP, the present programme of new construction ordered by tanker owners is almost complete. Since July, plans for the construction of about 3½ million tons deadweight have been announced; these include orders by the major oil and shipping companies for 106 vessels totalling nearly 2.7 million tons which have been published in the last six weeks. British shipyards are to build about two-thirds of this tonnage, and there can be very few berths that are not now fully booked up to 1959 or 1960. The total tanker tonnage sailing under the British flag is at present in the region of 8.1 million tons deadweight, and about two-fifths of this has been built in the last five years. Orders for close on 1½ million tons have still to be completed, but these vessels should all have been launched by 1957. By 1960, therefore, when all the tankers in the present building programmes will have been delivered, British owners should have about 8 million tons dw of new tankers that are ten years old or less. And by then they will have had to think about replacing the "large hump" of tankers that were launched during the war.

Busier Time for Shipyards

THIS heavy flush of new tanker orders has come at a time when the shipbuilding industry's order book has at last begun to turn upward. The revival started about a year ago and is already reflected in the larger volume of shipping tonnage it now has under construction. Since September, 1954, the industry has received orders for about 1.7 million tons gross of new ships, more than three times as much as in each of the two previous twelve months. Almost half this tonnage has been booked since June. Much of it—perhaps 500,000 to 600,000 tons gross—consists of tankers; the figures for the October to December quarter will similarly be heavily weighted by tanker orders. But bookings for new cargo vessels and ore carriers have also been rising; since January these have totalled over 600,000 tons.

Most of the world's shipyards have been enjoying a similar revival in new business. Although it takes a few years from the time a ship is ordered to the time it is launched and completed, ship owners have been greatly heartened by the recent strength of shipping freights and by the genuine increase in certain traffics. Tramp freights are now about half as high again as at this time last year. The tonnage of shipping under construction has risen in all shipyards, although launchings and completions are still lower than last year. German shipyards have about 2 million tons gross of orders on hand now whereas last year the total was just over 1 million tons. The increase in the order books

of British shipyards is rather less than this—about 250,000 tons to 4.67 million tons gross—but this is the first time since the total of outstanding orders reached a peak of seven million tons in 1952 that new bookings have exceeded current deliveries and cancellations. This improvement could blunt the incentive for shipbuilders here to continue their endeavour to reduce prices and delivery dates. British prices, and escalator clauses, are still less satisfactory than those offered in Germany, although delivery dates appear to have been growing closer together. But the British industry's share of world shipbuilding activity is still falling; it is now about 34 per cent of the tonnage under construction against 37 per cent in September last year. This industry will also have noted that fewer of its recent customers have been foreign ship owners.

Britain's Share of Trade

WHEN compared with the first nine months of 1954 the rise of 6 per cent in British exports this year is not unsatisfactory. But it is disturbingly small when compared, as it must be, with British imports on the one hand and with the exports of Britain's competitors on the other. This year imports have risen much more than exports, and though imports now seem to have passed the peak, the nine months' total was still 15 per cent higher than in the same months of last year—against the 6 per cent rise in exports. There is a similarly broad disparity between the rise in British exports and those of the rest of the world. Figures published by the Board of Trade show that world exports of manufactures, which have been rising steadily in the past two years, were 13 per cent higher in the first half of 1955 than in the first half of 1954. In contrast, Britain's exports of manufactures rose by only 4 per cent between those periods, and its share of world exports fell from 21 per cent to a little under 20. Exports of manufactures from the United States, it is significant to note, rose by nearly 16 per cent between the two periods and its share of world exports rose from 25½ to 26½ per cent. And West Germany's exports rose even more sharply, by over 20 per cent, and its share rose from 14 to nearly 15 per cent. As recently as the first half of 1954 the value of German exports of manufactures was still two-thirds of that of Britain's; by the first half of this year the proportion had risen to three-quarters.

One explanation of Britain's poor performance may lie in the fact that trade between the manufacturing countries is increasing faster than their trade with the primary producing countries, and it is to the latter group that two-thirds of Britain's exports traditionally go. Between the first half of 1954 and of 1955 the manufacturing countries' imports from each other rose by about 14 per cent, while their imports of primary products rose only slightly. The recovery of British exports to North America does not suggest that exporters are neglecting that market, though more could certainly be done. But the recent decline in exports to Western Europe, after the steady expansion hitherto, is disquieting; the increase of German competition cannot be wholly to blame. The new bout of import restrictions in Australasia and a stiffer monetary policy at home should

help to quicken British interest in European markets and in North America too. And it is worth remembering that if exports hit the Chancellor's target of an increase of "at least 10 per cent" this year, that achievement will not be as meritorious as it appears; the 1954 total lacked, and the 1955 total will have the benefit of, the exports that were held up by the dock strike of last autumn until the beginning of this year.

One Parcel for Sale

THE prospectus issued by the Transport Commission on Tuesday for the sale by tender of the shares in the company that owns and operates its fleet of lorries specialising in carrying parcels up to a ton in weight is no ordinary one. The Transport Act 1953 obliges a buyer to buy all seven million £1 shares in the company in one lot; it is for potential purchasers to bid what they think the company is worth and for the Transport Commission and the Disposals Board to decide whether to accept any of the tenders. The conditions laid down in the Act for the company method of selling nationalised lorries make it little different in practice from tenders for unincorporated haulage units.

Two groups, at least, have expressed some interest in the past in acquiring this parcels fleet; but they and any others would have to find a formidable sum of money. The book value of the company—which owns over 4,000 lorries, ranging up to 15 tonners, and well over 1,000 trailers and containers, employs nearly 13,000 people, and operates from 117 depots serving 13,000 places in different parts of the country—is put at £6½ million. But a purchaser is expected to pay much more than this. The company's premises and equipment have been valued at £1 million more than their book value, its vehicles similarly appear to be under valued, and by the time bids have to be sent in next January the company will have spent a further £1¼ million on new lorries. This makes at least £9½ million. On top of this the purchaser will have to pay additional sums, satisfactory to the Transport Commission and the Disposals Board, for the value of the special A licences under which the company will operate its fleet, and for the goodwill of the name "Carter Paterson." The parcels fleet has been made into a national network by the Commission out of the many businesses it took over.

Once the purchaser has bought the company, he will have to sink more money in it before he sees a return. The company is short of working capital; it needs to spend another £1.1 million in 1956 on more new lorries in order to bring the fleet up to scratch; and about £4 million will have to be spent within five years, and £1¼ million straightaway, to overtake arrears in building work. Thus any buyer will have to face total outlays of not much less than £13 million. The company's profits, before tax, appear to have been running during its year of separate existence at less than £1 million a year, which gives a return on capital employed (at present book value) of 12½ per cent. To sell this fleet will not be easy; certainly the Transport Commission cannot be accused of issuing a rosy prospectus.

Talking About Wheat

REPRESENTATIVES of about 60 countries gathered in Geneva this week to consider the renewal of the International Wheat Agreement, due to expire in July next year. This session of the conference, though not necessarily the last, is likely to be decisive. Governments were invited to suggest modifications to the existing agreement or alternative forms of agreement, and these suggestions are the starting point of the discussions. The next few weeks should reveal whether there is sufficient unanimity on principles to justify a second session in the spring. There are four possible outcomes:

- (1) The agreement in its present form could be renewed by the present members only;
- (2) It could be renewed to include other countries as well, and thus cover a larger part of world trade;
- (3) A new agreement could be devised;
- (4) The conference could collapse.

The first possibility can almost certainly be dismissed, for the present agreement is generally admitted to be ineffective without the support of Britain, the largest importer. The second possibility is not so remote. The present scheme no longer bears much reality to the world wheat trade, but if the conference fails to improve upon it then governments might fall back upon its renewal, if Britain would re-join. It is conceivable that Britain might find this politically expedient—given agreement on prices—for the sake of its relations with the Commonwealth producers, Canada and Australia. As between the third and fourth possibilities the odds seem about even.

Nearly all the 48 members of the agreement are attending the conference; the four exporters are the United States, Canada, Australia and France which, no longer a minor exporter, now ranks level with Australia. Argentina, the largest exporter outside the agreement, and Turkey and Sweden, minor ones, are also taking part. Russia and the Danubian countries are represented—all as exporters?—and Poland and Czechoslovakia too. The most notable newcomer among the importers is Britain, which refused to enter the present agreement in 1953.

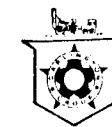
The conference was offered an apt commentary on the vast surplus of wheat a few days ago, when the Canadian government announced that from November 15th it would grant farmers special facilities to borrow from the banks against wheat on the farm, and would guarantee the banks against loss. Canadian farmers are suffering from a new form of poverty. Prices have not collapsed in face of the surplus; the Wheat Board has seen to that. But farmers' incomes have fallen sharply because, with production so much in excess of demand, the Wheat Board can buy so little of their wheat.

Unilever Does it Again

STOCKHOLDERS in the Unilever diarchy will be forgiven if they confuse the document they received this week with the one that came through their letter boxes last December. The two documents bring exactly the same

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One way or another, the companies in the Darlington Group supply indispensable goods and services to British Industry. Each is an independent company, expert in its own field, but when you buy the services of one, the materials and know-how of the others are automatically at your disposal. All over Great Britain you will find the Darlington Companies quietly at work, helping this country's industry to ever greater efficiency.



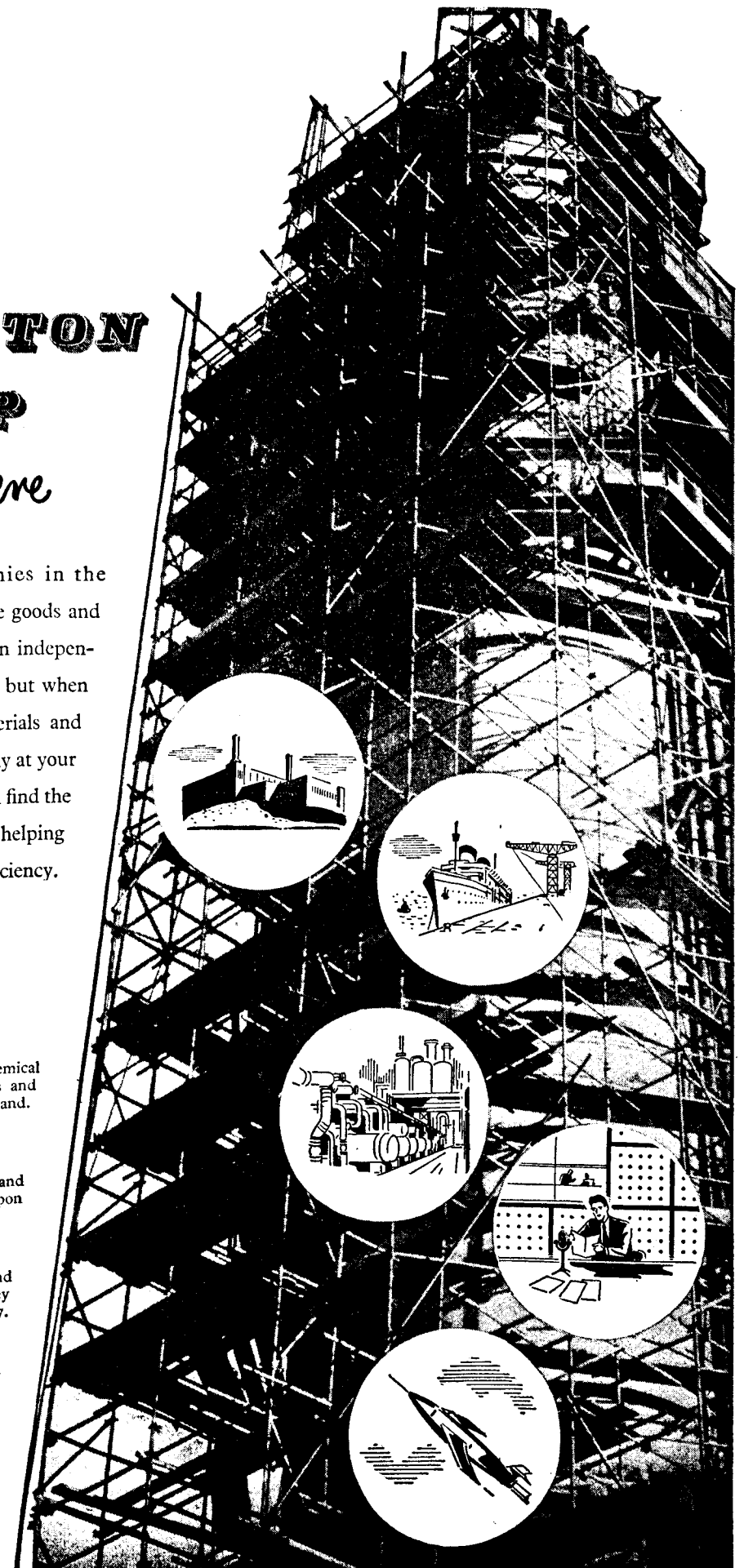
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At this moment millions of tins, jars, packets and

bottles are flowing from production line to shop shelf and larder protected by stout "Fiberite" cases.

But safe arrival is not enough. Modern packaging must help to sell as well as to safeguard the goods. So you will find in many of those "Fiberite" cases there are cartons made of "Thames Board". Cartons made to hold the shopper's eye with their crisp, attractive appearance. With rising standards of living, and the constant marketing of new products, the demand for "Thames Board" and "Fiberite" grows greater every year.

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good news—though the news was not completely unexpected. As in December, 1954, Unilever Limited and Unilever NV are each to make a 25 per cent free scrip issue of ordinary shares. For ordinary stockholders in the British company it will be one new £1 share for every £4 of stock now held and for stockholders in the Dutch company one new Fl. 1,000 share for every four Fl. 1,000 shares now in issue.

A free scrip issue is nothing more than a sensible device to tidy up the balance sheet—unless it brings with it effectively higher dividend payments. That is what the Unilever scrip issues will bring, as they did last year. Using almost the identical words they used then the directors, "appreciating that these increases of capital may cause conjecture as to the amounts of the interim dividends," have decided to maintain the interim rate of 6 per cent for Limited company and of 5½ per cent for NV on the increased capital. Again that decision mirrors that made last December when exactly the same rates were maintained on the increased capital. Those interims were followed by the maintenance of the old final rates (that is 9½ per cent for Limited and 8½ per cent for NV) on the enlarged capital. The assumption in Throgmorton Street is that the same practice will be followed when the next final dividends are declared—hence the rise in the £1 stock units to 90s. 6d. At that price and, assuming that the market's guess of 15½ per cent for Limited's full year's dividend is right, then, allowing for the new scrip issue, the £1 stock units have been put on a yield basis of about £4 7s. per cent.

Boom in Tanker Freights

THERE has been an exceptional jump in tanker freight rates this week. Since August the spot voyage rate has been running steadily at about Scale minus 5 per cent (Scale rate equals 32s. 6d. a ton from Curaçao to London); last week it rose to Scale minus 2½ per cent; and this week the average rate is expected to be about Scale plus 20 per cent. Heavier shipments of oil to the eastern seaboard of the United States and to Western Europe usually bring about a rise in tanker freights at the beginning of the winter, but not normally as early as this. A shortage of tankers for early shipment is partly the reason. The increase began to appear last week in the rates quoted for moving oil from the Middle East; it has now been followed by rates for Caribbean oil and in the American coastwise trade and time charter rates have also moved up. The market appears to expect this rise to last. One of the major oil companies fixed a tanker on Thursday for a minimum period of six months after loading next month at a minimum rate of Scale plus 20 per cent.

Coal in Hand

SINCE the coal "winter" started almost a month ago the weather has been a little colder than October last year and coal consumption has inevitably been somewhat higher. But the coal situation is much better now than it looked a

few months ago; for this the Coal Board may thank the fine summer and the plump cushion provided by imports. By the end of May inland consumers had used over two million tons more than they took in the first five months of 1954, but they have since taken nearly 1¼ million tons less and total inland consumption of 165½ million tons to the middle of this month is only 410,000 tons more than a year ago.

Colliery output has been showing its customary rise since the summer holidays. But the total of 167½ million tons to last weekend was still nearly 3.9 million tons down on last year. Much of this drop—about 1.4 million tons on the Board's reckoning—has been lost in disputes; these have now cost the industry almost 2½ million tons since the year started. Absenteeism has also been higher and the industry has been losing about 130 miners a week since January. But export and bunker shipments have so far been cut by two million tons, about 9½ million tons of coal has been imported against less than two million tons over the same period last year, and over a million tons extra has been scraped from the Board's opencast workings since April. As a result coal stocks are much higher; at 20¼ million tons on October 15th they were nearly 2.7 million tons up. With this in hand and the prospect of several million tons more American coal still to come, the Board should be able to see the winter through.

Canadian Dollar Nears Par

THE Canadian dollar has in the last four weeks lost the greater part of its premium. At one moment last week it was actually quoted at par to ¼ cent premium on the United States dollar, although since then the rate has recovered slightly; on Wednesday of this week the middle rate on New York was 1.00¾. The Canadian dollar has stood at a premium over the United States dollar ever since March, 1952. A year ago the premium was as high as 3 per cent, but early this year it fell to under 2 per cent. The main reason for the recent weakening is to be found in an outflow of capital from Canada. In the first place, dearer money in the United States has induced an appreciable shift of short-term money from Canada to the New York market; in an attempt to check this movement, the Bank of Canada raised its re-discount rate in early October from 2 to 2½ per cent—the second increase in two months. Secondly, the ebullience shown by the American economy this year, in conjunction with apprehensions that Canadian prospects have been substantially over-discounted in security prices, have caused a virtual cessation of the movement of longer term capital from the United States to Canada. There have also been adverse movements on current account. In particular, it is reported that this year there have been more Canadian tourists visiting the United States than American tourists visiting Canada. The commercial demand for Canadian dollars has not recently reached its customary seasonal peak; this appears to be due in part to the bumper grain harvest in Europe, and also to postponement of orders for Canadian wheat in anticipation of lower prices.

Fracas over Newsprint

THE decision of two Canadian mills, Abitibi Power and Paper Company and St. Lawrence Corporation, to increase the price of newsprint by \$5—to US\$131 a ton delivered New York—appears to have raised a disproportionate amount of dust. After three and a half years of stability, a four per cent increase in the price of a commodity much in demand seems not unreasonable, bearing in mind that prices of other kinds of paper and board in America were raised this summer. But the mills' action has been roundly condemned as anti-social. Usually when one mill raises its prices, the others have quickly followed suit. This time, the Anti-Trust division of the United States Department of Justice has joined battle on the side of the newspaper proprietors in an effort to stop a concerted advance.

Consumers may not gain more than a respite. A third producer has just raised its price by \$4 a ton. The mills have an obvious trump in America's hunger for newsprint. A "grey" market is flourishing in New York at prices well above the contract price of \$126 a ton. For the first time since 1950, American newspaper advertising is holding its own against commercial television and with swollen papers newsprint consumption has risen sharply. Though the considerable increase in America's own newsprint output satisfies about two-thirds of the extra demand, the remaining third is straining world resources. Canadian capacity is being substantially expanded, but before the new machines are operating in two or three years newsprint may well be short.

British prices will no doubt be affected in time. The equalised price of home-produced and imported newsprint was last raised by 30s. to £54 15s. a ton in January. Pulp prices are edging upwards, paper is likely to follow and newsprint can hardly escape. Indeed, it was Sir Eric Bowater, chairman of Bowater Paper Corporation, which supplies nearly two-thirds of the newsprint produced in Britain, who first raised the dust by predicting an increase in prices when in New York earlier this month.

Three Shifts in Weaving

THE Weavers' Amalgamation deserves full credit for having thrown tradition overboard and accepted in principle the introduction of a night shift on Lancashire's looms. The union is the largest in the weaving section of the cotton textile industry, and its decision was subsequently supported by the smaller unions. The conditions on which they will be prepared to accept three shifts are now being settled, and will be submitted to the employers' representatives next month. The practical importance of this decision at the moment is small, but could be considerable in time. The conditions are likely to be such that only the most up-to-date mills, with automatic looms working on two shifts, will be able to introduce a third shift, and the number of these mills is small. Out of 330,000 looms in running mills, only about 45,000 are automatic and not all of these are on two shifts. Still fewer mills have sufficient orders or

male labour to justify three shifts at present. But as mills do go on to three shifts competition among weavers will increase and this should stimulate modernisation and shift-working all along the line.

In the spinning section of the industry, where only three per cent of the spindles are employed on two shifts, the problem is to introduce two rather than three shifts. Unlike the weavers, the spinning unions have not in the past accepted the principle of shift-work, although they have agreed to it at a number of mills. The employers' representatives argue that a prime reason for the lack of progress is the unions' insistence on a wage premium for shift-working that they consider too high; the unions ask why some mills can afford to pay that premium and others not. The employers are hoping that the premium can be reduced as part of a general agreement with the unions on working conditions. The gap between what both sides consider reasonable is not so large as to rule out a compromise, and it is much to be desired that one will be reached.

Anglo American Copper Dividends

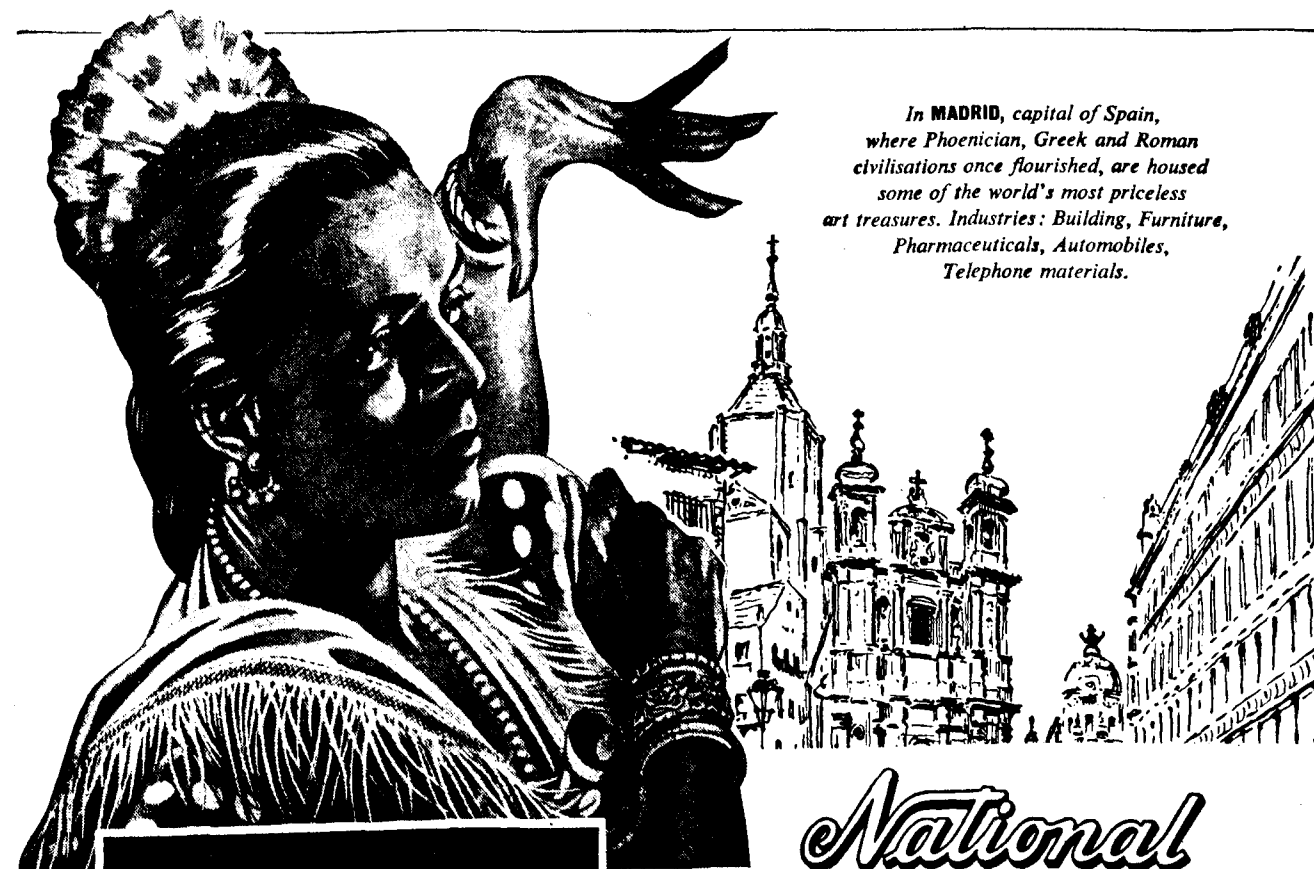
IT was a foregone conclusion, as it often has been in the last few years, that the Rhodesian copper mining companies must pay higher dividends. In practice the dividends declared by two companies of the Anglo American group this week—Rhokana and its parent Rhodesian Anglo American—though increased, failed to come up to investors' high hopes. Rhokana is paying a final dividend of 212½ per cent, making 262½ per cent (52s. 6d. per £1 unit) for the year ended June 30 (compared with 250 per cent) and the £1 units quickly fell £1 15s. to £39 10s. Rhodesian Anglo American is paying a final dividend of 62½ per cent, making a total payment of 77½ per cent (7s. 9d. per 10s. unit) for the year (compared with 75 per cent); the stock units fell 3s. 9d. to £5 5s. after the declaration. Both companies' dividends are stated after deduction of Rhodesian tax. To British resident taxpayers they are paid subject to a provisional allowance for double tax relief and are eventually subject to tax at the individual investor's appropriate rate.

The reason for the market's disappointment lies in the modest advance that profits made in a boom year for copper. Production and sales were affected by the strike that ran from January to March this year. Rhokana showed a net profit after tax of £10,022,463, compared with £9,544,021, but the 1954 figure also benefited from a transfer of £400,000 from sales equalisation reserve made in accordance with the group's practice of drawing from that reserve when it replaces stock in its pipeline and paying into that reserve when it draws on the pipeline.

New Money for Harrods

A CASH issue of ordinary shares from Harrods, the London department store, is a very rare bird. The last time the company made such an issue was in 1919. Now it has come forward again with a conventional rights

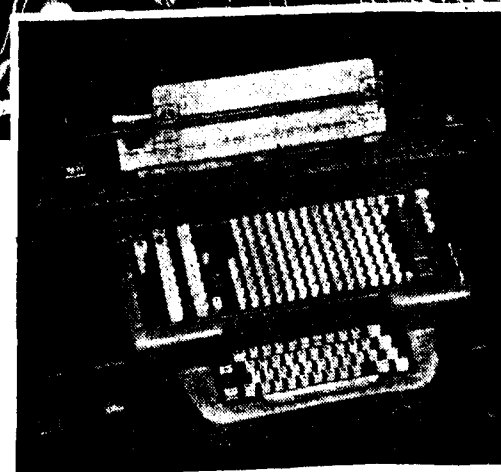
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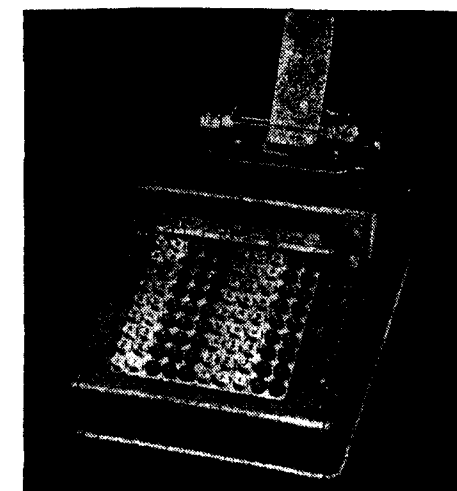


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THE ECONOMIST, OCTOBER 29, 1955



Are you riding to a prosperous tomorrow?

An afternoon in Autumn . . . a country lane . . . two young people riding. Nothing unusual in that. They're ordinary enough young people. Not very rich . . . not very poor. But they've recently got engaged and they have great ambitions for the future. And that's why they're so important to you. For soon they will commence to buy. If they choose your products you will be starting on the ride to tomorrow's prosperity.

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THE ECONOMIST, OCTOBER 29, 1955

issue, of 677,209 £1 ordinary shares at 48s. per share; they will be offered in the odd proportion of 10 new shares for every £49 of stock now in issue. The offer has been underwritten by Morgan Grenfell for a total commission of 10½d. a share. Just before the offer the existing shares stood at 53s. 6d. but after the announcement, as is now the custom in Throgmorton Street, the price was marked down to 51s. 9d., so that the rights are worth about 9d. a share, and on Thursday the new shares were quoted "nil paid" at 1s. 9d.

The new shares will rank for the final dividend due next February. The directors do not forecast what that dividend will be, but as they say that sales so far this year exceed those of the same months of 1954 and that profits for the year to January 31st next will not be less than the average profit (about £1,700,000 before tax) of the last three years, the assumption must be that the full year's dividend will be maintained at 17½ per cent. On that assumption the new shares are being offered on a yield basis of 7.3 per cent, an attractive yield for one of the more conservative stocks in the department store group.

The net proceeds of the issue, about £1,593,000, will cover the cost of completing the purchase of some freehold and leasehold properties in Birmingham for £1,589,000. Stockholders have already been told that the group was actively considering the opening of a new store in Birmingham; this is the first big step towards that objective. But Harrods will not take possession of the properties for at least three years. Only then will the company start re-building—and then, perhaps, it will have to make another appeal to the market.

Woolwich Building Society

It is likely that the two big building societies that close their financial years on September 30th—the Woolwich Equitable and the Leeds Permanent—will this year present a different picture from the majority which account to December 31st. The preliminary figures from the Woolwich society issued this week should be read in that light. The accounting period includes the whole of the months in which the societies were under pressure of withdrawals (because interest rates were more attractive elsewhere). The society put up its share interest from 2½ per cent net to 3 per cent net on September 1st, so that only one month of the better conditions that followed comes into the present accounting period.

Against that background the figures of the Woolwich Equitable society look good. Total assets have risen during the year by £12.6 million to £116.1 million; shareholders' the year by £12.6 million to £116.1 million; and depositors' balances by £12.2 million to £110.5 million; and mortgage balances by £12.9 million to £97.5 million. Even the total amount advanced on mortgage during the year was £1.5 million higher at £23.2 million. On the other hand, liquid assets have inevitably declined; the fall was £364,000 to £17.8 million and the ratio of liquid assets to total assets has dropped from 17.56 per cent to 15.33 per cent. The fall in liquid assets is strikingly modest and the decline in the abnormally high liquidity ratio of a year ago has brought the society back to about its normal liquidity.

SHORTER NOTES

The new management of the British Industries Fair appears, after a slow start, to be having some success in bringing back into the Fair the industries that have left it in recent years to hold their own, separate trade exhibitions. One of the main exhibitors at the first of the two Fairs to be held in London, which opens in February, is the toy industry that is transferring its annual exhibition to the BIF; more support is also being given by the chemical, electrical and electronic industries. But the main defaulter, the textile industry, will not be present at all next year, although it may return in 1957.

City of London Real Property Company has announced an interim dividend of 3 per cent and forecasts a final dividend of 6½ per cent. The indicated total payment of 9½ per cent substantially exceeds earlier indications of not less than 7½ per cent per annum. From what source does the extra dividend spring? Before the scrip issue the company was paying 10 per cent and earning only about 11 per cent, but its properties include important office blocks in the City of London now being rebuilt. As they become available for letting revenue should grow.

The World Bank has made a loan of \$5.3 million to the Japan Development Bank, a Japanese government agency that supplies long-term credit for industrial development. The proceeds of the loan are to be passed on to the Yawata Iron and Steel Company, which produces nearly one quarter of Japan's steel; the money is to be used to finance imported equipment for the installation of a modern steel plate mill that is to replace three outmoded mills. The Japanese government has guaranteed the World Bank loan, in which the Manufacturers' Trust Company of New York is participating to the extent of \$791,000. The loan carries interest at 4½ per cent and is repayable in fifteen years.

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Company Notes

BOWATER PAPER. The formidable bunch of explanatory memoranda and resolutions sent out by the Bowater Paper Corporation must make many stockholders dizzy. But dizzy or not, they will not miss the essential point that the capital reorganisation makes all the preference stockholders slightly better off. The immediate effect was that these preference shares were marked up, but the Stock Exchange was even more attracted to the proposed 100 per cent free scrip issue of ordinary shares, requiring the capitalisation of £9,600,000 from reserves. For those who take note of the nuances of directors' statements the comment from Bowater's boardroom that in recommending future dividends "regard will be had to the fact that the issued ordinary capital will have been doubled" will appear less grudging than the

Preference stockholders should also turn up to that meeting in a happy frame of mind. All the preference stocks of the parent company and its British subsidiaries, with their differing coupon rates, are being turned into a single class of 5½ per cent preference stock. As the accompanying table shows the terms of the conversion give stockholders either an effective increase in income or a tax free cash payment. Their rights on repayment have also been made more favourable and given a more up-to-date look. (The reorganisation will, incidentally, slightly raise the gearing on an already highly geared equity.) The conversion will give preference stockholders a more freely marketable stock and, as far as the company itself is concerned, the reorganisation is designed to "facilitate the financing" of future expansion. The

	Present Issued Capital	Proposed Exchange into 5½% Preference	Gross Annual Dividend per £100 of Original Stock	
			Present	Proposed
Bowater Paper:—				
6½% Preference	1,000,000	1,250,000	£ 8 10 0	£ 8 17 6
7½% Preference	1,800,000	2,520,000	7 10 0	7 14 0
Bowater's Lloyd:—				
7% Preference	1,200,000	1,600,000	7 0 0	7 6 3
5½% Preference	1,000,000	1,000,000*	5 10 0	5 10 0
Bowater's Mersey:—				
5½% Preference	500,000	500,000*	5 10 0	5 10 0
Bowater's Sales:—				
8% Preference	250,000	375,000	8 0 0	8 5 0

* Plus on conversion £2 10s. per £100 of stock as a tax free cash payment.

customary phrase on such occasions that a free scrip issue does not necessarily imply an effective increase in dividends. The new shares will rank for the next final dividend.

But the jobbers, in immediately marking up the £1 ordinary stock units by 8s. 6d. to 100s., based their judgment on something more than a turn of phrase. They took note of the recent history of the company—as did the American investors who once more re-entered the market to buy the stock. This is the third free scrip issue in eighteen months and last year's scrip issue was followed by bigger dividends. Profits from paper and newsprint are still running high and there can be little doubt that stockholders will turn up to the meeting at the Stoll Theatre, as they once turned up to the meeting at the Royal Festival Hall, with the knowledge that in itself a free scrip issue is nothing more than a piece of book-keeping but in the hope that Sir Eric Bowater and his co-directors will treat them to something more substantial than this truism. In the 15 months to December 31st last, the dividend was 22½ per cent, equivalent to a year's payment of 18 per cent. A full year's dividend of, say, 10 per cent on the new capital is within the range of possibility—and of speculation.

scheme is linked with proposals to merge the business of the three operating British subsidiaries into a single undertaking, Bowaters United Kingdom Pulp and Paper Mills Limited.

ELECTRIC AND MUSICAL INDUSTRIES. Electric and Musical Industries purchased 96 per cent of the common stock of the American company, Capitol Records, on March 22nd. The financial year of EMI closed on June 30th and hence profits earned by Capitol Records in the three months or so under the control of EMI have been included in the company's preliminary statement. The sum of these profits, which is not recorded in the statement, cannot be very large. The full year's net profit of Capitol Records in 1954 was put at about £246,000 so that at a guess perhaps £50,000 to £75,000 from Capitol Records might be included in the latest net earnings of "subsidiaries in British Overseas Territories and the United States." These net earnings came to £171,000 in the year to June 30th, compared with £127,000 in 1953-54. At the same time the net profits of "subsidiaries in other overseas territories" went up from £215,000 to £295,000 and of

"United Kingdom companies" from £204,000 to £366,000.

Thus net profits in all advanced from £546,000 to £832,000, in line with the increase in trading profits from £2,074,000 to £3,170,000; those gross profits include non-recurring credits of £105,000 (against £15,000). The re-organisation of EMI has clearly made its immediate mark and the group is now in a position to meet public enthusiasm for high fidelity equipment and for long playing records. The group made a bad start in the long playing record market but the latest results should do much to cancel out some of the criticisms that have been levelled at the company.

Not the least satisfactory item in the preliminary statement was the increase in the ordinary dividend from 10 to 15 per cent, more than restoring the cut in the dividend made in 1952-53. The 10s. ordinary stock units gained 1s. 6d. on this announcement. Standing now at 26s. 6d. they offer a yield of 5½ per cent, which takes some account of the future earnings that should blossom from the purchase of Capitol Records. That acquisition, it will be recalled, was expected not only to provide American recordings for other countries but also to provide an outlet for British and European recordings in the United States.

MORPHY-RICHARDS. Recently it has been fair weather sailing for Morphy-Richards, manufacturers of domestic electrical appliances. In the year to June 30th the value of the company's sales went up by nearly 49 per cent (from £2,644,179 to £3,936,386); within that total export sales in 108 different countries rose by 31 per cent (from £724,469 to £949,166). Trading profit advanced from £322,865 to £487,383. As so far in the current financial year trading results show a "substantial increase" over the previous year.

But the margin of profit on sales is low and there seems to be more squally weather ahead. The most threatening clouds are the hire purchase restrictions and the increases in purchase tax; the chairman, Mr H. D. Drysdale, tells stockholders that the hire purchase restrictions have already given a knock to the profits of Astral Equipment, the company manufacturing refrigerators which Morphy-Richards acquired in July. Nevertheless, the directors estimate that in spite of the steady increase in turnover there is still a "large unsatisfied demand" for the company's products. So they have recently concluded financial arrangements under which a new factory will be built beside the existing one and then rented to the company. The new factory, which will not be completed until the end of 1956, will double manufacturing space. Morphy-Richards is spared the capital cost of building the factory though it will have to spend a considerable sum in equipping it with plant and machinery. With more difficult markets in the offing and with money needed for capital expenditure stockholders must expect to be patient.

HAWTHORN, LESLIE. As profits in the shipbuilding industry wait on the completion of contracts, the lumpiness and irregularity of income makes any direct comparison of one year's profits with another of dubious value. Hence the attraction in Hawthorn, Leslie's profits in £1,155,354 to £977,478 for the year June 30 counts for little when set against the chairman's assurance that the strength of the order book and the company's financial strength justify an increase in ordinary dividends.

In fact the ordinary shareholders have fared substantially better; the 17 per cent ordinary dividend is an effective increase of 2 per cent over the 1953-54 dividend.

	Years to June 30, 1954	1955
Consolidated earnings:—		
Trading profit	1,155,354	977,478
Depreciation	104,866	104,499
Taxation	645,623	478,113
Net profit	441,659	422,895
Ordinary dividends	110,840	129,651
Ordinary dividends %	15	17
Retained earnings	368,814	302,110
Balance sheet:—		
Net fixed assets	1,010,048	1,090,318
Net current assets	3,044,789	3,197,105
Stocks and work-in-progress	1,218,521	1,510,613
Installments in advance	811,784	789,529
Liquid assets	3,657,257	3,625,059
Reserves	1,619,844	1,960,838
Ordinary capital	1,343,531	1,343,531
9s. ordinary stock at 32s. 6d. yields 5s. 5s. per cent.		

allowing for the 50 per cent free scrip issue in 1954. At the same time ordinary shareholders received a 40 per cent free scrip issue in 5 per cent preference shares. This was a true bonus and preference stockholders came to no harm as the coupon rate was raised from 4 to 5 per cent. These dividends were paid out of net profit of £422,895—not very different from the 1953-54 earnings, thanks to a decline in taxation of £167,510 to £8,113.

Since the 1953-54 report was published the company has separated shipbuilding from marine engine construction, setting up two operating divisions under the control of the parent company. The

engineering subsidiary also handles orders from outside the group. Hawthorn, Leslie—as the order from British Petroleum for two large tankers shows—is one of the shipbuilders that will benefit from the modernisation of Britain's tanker fleet. About £125,000 was spent during the year on modernising its equipment and a high rate of production is assured for some time. Plans for further expansion are mooted, for which considerable sums of money will be needed.

FAIREY AVIATION. The latest results of Fairey Aviation, excellent though they are, are not much of a guide to the future. The irregular completion of long term contracts gets in the way of firm comparison of one year's earnings with another; Fairey's gross profits in the year to March 31st were £2,159,568, compared with £1,249,216 in 1953-54, but it would be misleading to suggest that profits have risen by nearly £1 million. Moreover, the future profits of such a company as Fairey depends upon the Government's decisions on defence policy—and that policy is coming up for review quite soon.

But it is unwise to look a gift horse in the mouth and ordinary stockholders, having noted that the net profit is £802,394 (against £478,345), will doubtless welcome the increase in the ordinary dividend from 25 to 30 per cent and the proposal to capitalise £1,027,750 from reserves in order to distribute a 100 per cent free scrip issue. The 10s. ordinary stock units immediately gained 4s. to stand at 44s., offering a yield of 6½ per cent. This may seem high—indeed it is one of the highest in aircraft stocks—when the good profits the company is earning from the production of the Gannet and when the high earnings cover on the dividend are taken into account; but it does convey the warning that profits in the aircraft industry—more than in any other—depend upon the Government's actions.

LONDON STOCK EXCHANGE

Next Account begins: November 2nd

Next Contango Day: November 2nd

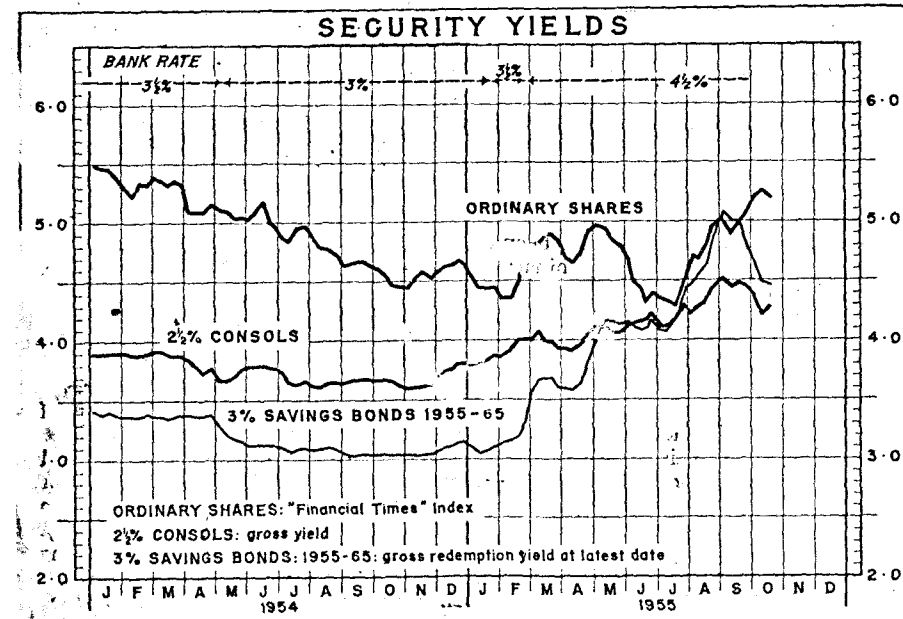
Next Settlement Day: November 8th

No extra selling of industrial shares developed before the Budget, and in a market short of stock jobbers were compelled to raise prices. By the close on Wednesday most leading stocks had recovered much of the ground lost on the announcement of the autumn Budget, the exceptions being found among those low yielding stocks where fears of an increase in distributed profits tax brought further small losses. All industrial stocks were marked up sharply in dealings following the Budget on Thursday.

Gilt-edged securities showed small gains on Monday and advanced again immediately before the Budget. Government securities were weaker on Thursday except for the shortest dated stocks.

Building shares regained most of their recent losses, Associated Portland Cement rising to 102s. 6d. and London Brick to 59s. 6d. from 97s. 9d. and 58s. 3d. respectively. Stores responded similarly, Marks and Spencer "A" climbing to 65s. (after 61s. 9d.) and GUS "A" advancing to 42s.

Among motor manufacturers, Ford Motors were slightly firmer at 43s. and Rolls-Royce recovered to 108s. 9d. after being a weak market on the announcement of an unchanged interim. Further tanker orders placed by the British Petroleum group were reflected in higher prices for shipbuilding shares. There was a large turnover in City of London Real Property on the 9½ per cent dividend forecast, though the price later reacted to 36s. 3d. Kaffirs were better on Wednesday, but demand was selective, Free State Geduld and Harmony showing small declines, while Middle Wits and Merriespruit improved. Frontino were sharply higher on the forecast of a greatly increased dividend. Oils advanced in line with other equities, British Petroleum recovering to 5½ and Shell to 6½.



FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Oct. 19.	189.4	102.57	4.26	5.14
" 20.	183.8	102.77	4.24	5.29
" 21.	185.0	102.83	4.26	5.33
" 24.	185.9	102.88	4.26	5.30
" 25.	187.9	102.90	4.26	5.25
" 26.	188.2	102.96	4.25	5.24
1955, High.	223.9	115.97	Total bargains	
(July 21)	175.7	98.23	Oct. 19	8,035
" Low.	175.7	98.23	" 20	8,869
(Mar. 15) (Sept. 2)	184.0	118.10	" 21	7,640
1954, High.	184.0	118.10	" 24	9,551
(Dec. 31) (Nov. 18)	131.1	111.78	" 25	8,410
" Low.	131.1	111.78	" 26	7,349
(Jan. 1) (Jan. 5)				

* July 1, 1935=100.

† 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Oct. 26		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Oct. 19, 1955	Price, Oct. 26, 1955	Net Yield, Oct. 26, 1955 %	Gross Yield, Oct. 26, 1955 %	Prices, 1955 Jan. 1 to Oct. 26		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Oct. 19, 1955	Price, Oct. 26, 1955	Yield, Oct. 26, 1955
High	Low							High	Low							
100 1/2	96 1/2	Funding 2 1/2% '52-57	97 1/2	97 1/2	2 18 6	4 7 9	46/6	34/8 1/2	17 1/2	4 a	STEEL & ENGINEERING	35/6	35/6	4 s. d.		
100 1/2	97 1/2	War Bonds 2 1/2% '54-56	98 1/2	98 1/2	2 18 11	4 5 9 1/2	13/10 1/2	10/-	10 1/2	4 a	B.S.A. £1	12/6	12/3	5 14 4		
100 1/2	93 1/2	War Loan 3% '55-59	95 1/2	95 1/2	3 0 0	4 6 6	39/3	27/-	...	3 a	Cammell Laird 5/-	33/3	33/-	5 9 10 1/2		
99 1/2	99 1/2	Serial Fndg 3% 1955 Asstd	99 1/2	99 1/2	2 10 3	4 3 9 1/2	36/7 1/2	23/-	...	3 a	Colvilles £1	31/3	31/3	5 2 5		
99 1/2	99 1/2	Conversion 4% '57-58	99 1/2	99 1/2	2 8 8	4 3 4 1/2	54/-	31 1/2	5 a	15 b	Guest Keen N'fold £1	46/3	45/-	4 8 11 1/2		
100 1/2	96 1/2	Serial Funding 2 1/2% 1957	96 1/2	96 1/2	3 5 2	4 4 4	79/9	42/-	12 1/2	5 a	5 a	Stewarts & Lloyds £1	67/6	68/-	3 13 6	
99 1/2	91 1/2	Conv. 2% 1958-59	92 1/2	92 1/2	3 7 7	4 7 0 1/2	47/-	27/6	6 1/2	4 a	4 a	Summers (John) £1	37/6	38/3	5 4 7 1/2	
97 1/2	89 1/2	Exchequer 2% 1960	90 1/2	90 1/2	3 8 5	4 7 3	50/-	28/6	6 b	4 a	4 a	United Steel £1	43/-	43/3	4 12 6	
104 1/2	92 1/2	Exchequer 3% 1960	95 1/2	95 1/2	2 17 3	4 4 5	47/10 1/2	35/9	6 b	2 1/2 a	2 1/2 a	Vickers £1	38/-	39/-	4 7 2	
100 1/2	83 1/2	Savings Bonds 3% '55-65	89 1/2	89 1/2	3 0 6	4 8 5 1/2	30/4 1/2	19/6	6 b	4 a	TEXTILES					
100 1/2	86 1/2	Funding 2 1/2% '56-61	90 1/2	90 1/2	3 5 2	4 7 9 1/2	30/4 1/2	19/6	6 b	4 a	4 a	Bradford Dyers £1	20/3	20/6	9 15 1	
97 1/2	78 1/2	Funding 3% '59-69	83 1/2	84 1/2	3 3 8	4 12 0 1/2	35/-	24/3	3 a	7 b	7 b	Brit. Celanese £1	25/3	25/3	7 18 5	
103 1/2	90 1/2	Funding 4% '60-90	91 1/2	92 1/2	4 5 3	6 0 1 1/2	29/6	23/-	2 1/2	6 1/2	6 1/2	Coats (J. & P.) £1	24/6	24/6	7 2 10	
96 1/2	77 1/2	Savings Bonds 3% '60-70	83 1/2	83 1/2	3 2 9	4 11 6 1/2	55/3	35/-	4 a	6 b	6 b	Courtaulds £1	43/6	43/6	4 11 11 1/2	
102 1/2	87 1/2	Exchequer 3% '62-63	93 1/2	93 1/2	2 16 2	4 4 4 1/2	34/1 1/2	24/6	7 1/2	5 a	5 a	Lancs. Cotton £1	26/3	26/9	9 6 9	
99 1/2	82 1/2	Exchequer 2 1/2% '63-64	86 1/2	87 1/2	3 3 2	4 6 0 1/2	36/0 1/2	28/-	2 1/2	10 b	10 b	Patons & Baldwins £1	30/6	30/-	8 6 4	
95 1/2	77 1/2	Savings Bonds 2 1/2% '64-67	82 1/2	82 1/2	3 6 4	4 10 1 1/2	22/11 1/2	17/4 1/2	6 1/2	3 1/2	MOTOR & AIRCRAFT					
94 1/2	75 1/2	Savings Bonds 3% '65-75	81 1/2	81 1/2	3 0 1	4 9 5 1/2	22/11 1/2	17/4 1/2	8 1/2	4 a	3 1/2	Bristol Aeroplane 10/-	19/3	19/9	5 1 3	
105 1/2	91 1/2	Victory 4% '20-76	96 1/2	96 1/2	2 14 9	4 10 5 1/2	15/9 1/2	9/6 1/2	7 1/2	4 a	4 a	British Motor 5/-	10/3	10/-	6 5 0	
98 1/2	78 1/2	Funding 3% '66-68	85 1/2	85 1/2	3 3 5	4 12 2 1/2	27/10 1/2	21/3	7 1/2	Nil c	Nil c	De Havilland £1	22/-	22/9	Nil	
103 1/2	83 1/2	Conv. 3 1/2% 1969	89 1/2	89 1/2	2 19 10	4 12 1	60/-	37/-	15 c	2 1/2	2 1/2	Ford Motor £1	44/4 1/2	42/6	3 10 7 1/2	
98 1/2	80 1/2	Treas. 3 1/2% '77-80	85 1/2	86 1/2	2 17 0	4 10 9 1/2	70/9	43/1 1/2	7 1/2	5 a	5 a	Hawker Siddeley £1	49/9	48/9	5 2 6	
99 1/2	80 1/2	Treas. 3 1/2% '79-81	85 1/2	85 1/2	2 16 7	4 9 11 1/2	52/9	33/6	25 c	30 c	30 c	Leyland Motors £1	40/-	40/-	5 0 0 1/2	
88 1/2	68 1/2	Redemption 3% '86-96	75 1/2	75 1/2	2 15 0	4 6 5 1/2	133/1 1/2	71/3	12 1/2	5 a	5 a	Rolls Royce £1	106/3	106/3	3 5 11 1/2	
95 1/2	78 1/2	Funding 3 1/2% 1999-2004	83 1/2	84 1/2	2 11 11	4 6 3 1/2	12/3 1/2	6/10 1/2	12 c	12 c	12 c	Standard Motor 5/-	9/6	9/3	6 9 9	
97 1/2	82 1/2	Consols 4% aft. Feb. '57	88 1/2	88 1/2	2 12 4	4 11 5 1/2	21/7 1/2	12/6	17 1/2	3 a	SHOPS & STORES					
88 1/2	74 1/2	War L'n 3 1/2% aft. Dec. '52	79 1/2	79 1/2	2 10 10	4 8 3 1/2	47/6	36/9	7 1/2	20 b	20 b	Boots Pure Drug 5/-	18/-	17/6	3 18 1	
89 1/2	72 1/2	Conv. 3 1/2% aft. April '61	78 1/2	78 1/2	2 11 2	4 9 0 1/2	47/6	36/9	7 1/2	15 a	15 a	Debenhams 10/-	41/3	39/6	6 19 1/2	
78 1/2	63 1/2	Treas. 3% aft. April '66	68 1/2	68 1/2	2 10 5	4 7 10 1/2	62/6	40/-	15 a	45 b	45 b	Gt. Universal 5/-	43/6	42/-	7 2 10	
66 1/2	54 1/2	Consols 2 1/2%	58 1/2	58 1/2	2 8 11	4 5 2 1/2	114/-	92/-	5 a	17 1/2	17 1/2	Lyons (J.) 'A' £1	97/6	98/9	4 11 2 1/2	
66 1/2	54 1/2	Treas. 2 1/2% aft. April '75	57 1/2	57 1/2	2 9 5	4 6 1 1/2	76/-	58/6	15 a	30 b	30 b	Marks & Spen. 'A' 5/-	64/6	62/6	3 11 0	
99 1/2	97 1/2	Br. Elec. 4 1/2% '67-69	98 1/2	98 1/2	2 14 0	4 12 9 1/2	71/9	55/-	36 1/2	20 a	20 a	Woolworth 5/-	57/9	58/3	4 5 10 1/2	
94 1/2	75 1/2	Br. Elec. 3% '68-73	81 1/2	81 1/2	3 1 11	4 10 11 1/2	139/-	68/6	5 a	14 b	14 b	British Petroleum £1	101/3	104/4 1/2	2 17 6 1/2	
93 1/2	75 1/2	Br. Elec. 3% '74-77	80 1/2	80 1/2	2 19 2	4 8 7 1/2	139/-	68/6	5 a	14 b	14 b	Burmah £1	70/-	70/7 1/2	2 19 8 1/2	
109 1/2	90 1/2	Br. Elec. 4 1/2% '74-79	95 1/2	95 1/2	2 13 10	4 11 3 1/2	93/5 1/2	50/-	7 1/2	10 b	10 b	Royal Dutch 100 fl.	56	56	2 13 11 1/2	
98 1/2	80 1/2	Br. Elec. 3 1/2% '76-79	84 1/2	84 1/2	2 17 6	4 10 4 1/2	64	45/0 1/2	6 a	10 1/2	10 1/2	Shell Reg. £1	125/-	125/-	4 3 6	
105 1/2	88 1/2	Br. Gas 4% '69-72	93 1/2	93 1/2	2 16 9	4 12 11 1/2	158/9	109/9	5 1/2	5 1/2	5 1/2	Trinidad L'holds 5/-	37/3	36/9	4 14 8	
102 1/2	82 1/2	Br. Gas 3 1/2% '69-71	87 1/2	87 1/2	2 19 4	4 11 10 1/2	44/6	26/9	15 1/2	2 1/2	SHIPPING					
88 1/2	71 1/2	Br. Gas 3% '90-95	75 1/2	75 1/2	2 14 6	4 5 4	37/3	25/6	7 b	2 1/2	2 1/2	Cunard £1	27/-	26/6	7 7 2	
94 1/2	76 1/2	Br. Trans. 3% '68-73	81 1/2	81 1/2	3 1 11	4 10 11 1/2	37/3	25/6	12 c	14 c	14 c	Furness Withy £1	47/-	47/-	5 19 2	
105 1/2	87 1/2	Br. Trans. 4% '72-77	92 1/2	92 1/2	2 15 2	4 11 10 1/2	61/-	45/-	13 b	3 a	3 a	P. & O. Def. £1	33/6	32/6	4 18 6 1/2	
88 1/2	70 1/2	Br. Trans. 3% '78-88	76 1/2	77 1/2	2 16 9	4 7 9 1/2	38/6	27/6	13 b							

(e) To earliest date. (f) Flat Yield. (h) To latest date. * Ex dividend.
† Assumed average life approx. 12 years. † Less tax at 8s. 6d. in £.

Prices, 1954 Jan. 1 to Oct. 26		Prices, 1955 Jan. 1 to Oct. 26		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Oct. 19, 1955	Price, Oct. 26, 1955	Yield, Oct. 26, 1955 %
High	Low	High	Low					
97 1/2	90 1/2	94 1/2	79	Aust. 3 1/2% '65-69	83 1/2	83 1/2	4 18 4	4 18 4
101 1/2	97 1/2	101 1/2	87	Ceylon 4% '73-75	89 1/2	89 1/2	4 16 11 1/2	4 16 11 1/2
106 1/2	98 1/2	103 1/2	87 1/2	N. Zealand 4% '76-78	92 1/2	92 1/2	4 12 9 1/2	4 12 9 1/2
79 1/2	71 1/2	75 1/2	61	L.C.C. 3% aft. 1920	66 1/2	66 1/2	4 10 3	4 10 3
99 1/2	95 1/2	99 1/2	83	Liverpool 3% '54-64	85 1/2	85 1/2	4 18 0 1/2	4 18 0 1/2
87 1/2	80 1/2	84 1/2	65	M. Wtr. B'3% '34-2003	70 1/2	70 1/2	4 12 0 1/2	4 12 0 1/2
104 1/2	100 1/2	102 1/2	94 1/2	Agric. Mort. 5% '59-89	99 1/2	99 1/2	4 19 3 1/2	4 19 3 1/2
109 1/2	71 1/2	122 1/2	91	German 7%	107 1/2	107 1/2	...	...
168 1/2	102 1/2	213	149	German 5%	100 1/2	100 1/2	...	...
171 1/2	132 1/2	211	160	Japan 5% 1907	208	208	...	...
198 1/2	167 1/2	254	190	Japan 5% Conv. 1930	246	247	...	...

Prices, 1955 Jan. 1 to Oct. 26		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Oct. 19, 1955	Price, Oct. 26, 1955	Yield, Oct. 26, 1955 %
High	Low							
58 1/2	45 1/2	7 b	5 a	BANKS & DISCOUNT				
76 1/2	57 1/2	15 c	6 a	Barclays £1	48/-	48/6	4 19 0	4 19 0
89 1/2	73 1/2	18 c	9 a	Lloyds 'A' £5, £1 pd.	58/-	58/-	5 3 5 1/2	5 3 5 1/2
87 1/2	66 1/2	18 c	9 a	Midland £1, fully pd.	74/6	75/-	4 16 0	4 16 0
96 1/2	76 1/2	8 b	8 a	N. Prov. 'B' £5, £1 pd.	68/6	70/6	5 2 2	5 2 2
69 1/2	44/-	8 1/2	3 1/2	Westminster 'B' £4, £1 pd.	77/6	77/-	5 3 11 1/2	5 3 11 1/2
58 1/2	45/-	7 b	5 a	Nat. Disc. 'B' £1	47/6	47/6	5 5 3	5 5 3
60/-	47/3	12 1/2	6 1/2	Union Disc. £1	49/-	49/-	5 1 1	5 1 1
40 1/2	32/-	4 b	4 a	Barc. (D.C.O.) £1	35/-	34/6	5 2 0	5 2 0
51 1/2	40/6	7 1/2	7 1/2	Chart. Bk. of India £1	41/6	42/6	3 17 4 1/2	3 17 4 1/2
INSURANCE								
21 1/2	14 1/2	50 a	110 b	Leg. & Gen. £1	18 1/2	17 1/2	2 6 4 1/2	2 6 4 1/2
28 1/2	20 1/2	45 1/2	20 1/2	Pearl £1, fully pd.	23	23	4 18 4	4 18 4
55 1/2	41 1/2	112 1/2	117 1/2	Prudential 'A' £1	43*	43*	4 11 0	4 11 0
BREWERY, ETC.								
141/-	116/3	33 b	10 a	Bass £1	120/-	120/-	7 1 8	7 1 8
34/9	22/-	10 a	10 1/2	Distillers 6/8	24/9	24/-	4 11 8 1/2	4 11 8 1/2
49/6	40/-	15 b	8 a	Guinness 10/-	40/7 1/2	40/-	5 15 0	5 15 0
93/9	68/-	7 a	14 b	Whitbread 'A' Ord. £1	71/3	70/-	6 0 0	6 0 0

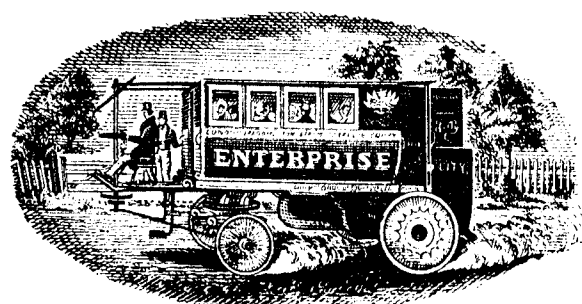
* Ex dividend. † Free of tax. Gross yield. (a) Interim dividend. (b) Final dividend. (c) Year's dividend. (d) On 50%. (e) To earliest date. (f) Flat yield. (g) On 16 1/2%. (h) On 16 1/2%. (i) On 10 1/2%. (j) On 15%. (k) On 12%. (l) To latest date. (m) On 10%. (n) On 8%. (o) On 9%. (p) On 8 1/2%. (q) Yield basis 22-10% gross. (r) On 3 1/2%. (s) On 6 1/2%. (t) On 13 1/2%. (u) Dividend for 15 months. On 18%. (v) On 7 1/2%. (w) On 40%. (x) On 12 1/2%.

New York Closing Prices

	Oct. 19	Oct. 26		Oct. 19	Oct. 26		Oct. 19
Balt. & Ohio	45 1/2	45 1/2	Am. Smelting	46 1/2	47 1/2	Inter. Paper	105 1/2
Can. Pac.	31 1/2	31 1/2	Am. Viscose	47 1/2	48 1/2	Nat. Distill.	19 1/2
N.Y. Cent.	46 1/2	46 1/2	Cel. of Am.	20 1/2	21 1/2	Sears Roebuck	103 1/2
Pennsyl.	25 1/2	26	Chrysler	95 1/2	95 1/2	Shell	55 1/2
Amer. Tel.	177 1/2	179	Gen. Elec.	48 1/2	49 1/2	Std. Oil of N.J.	131 1/2
Stand. Gas	9 1/2	9 1/2	Gen. Motors	134 1/2	135 1/2	U.S. Steel	54 1/2
United Corp.	57 1/2	57 1/2	Goodyear	57 1/2	58 1/2	Westinghouse	56 1/2
W. Union Tel.	20 1/2	21	Inter. Nickel	35 1/2	35 1/2	Woolworth	48 1/2

Statistics

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



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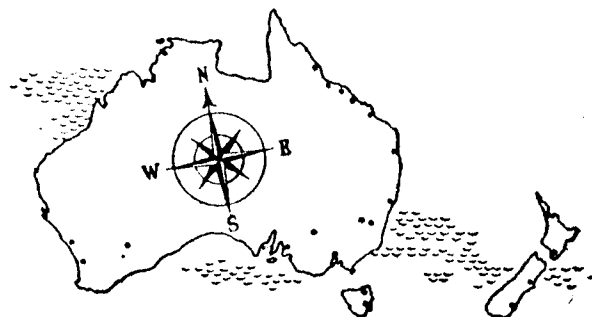
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DECENTRALISATION

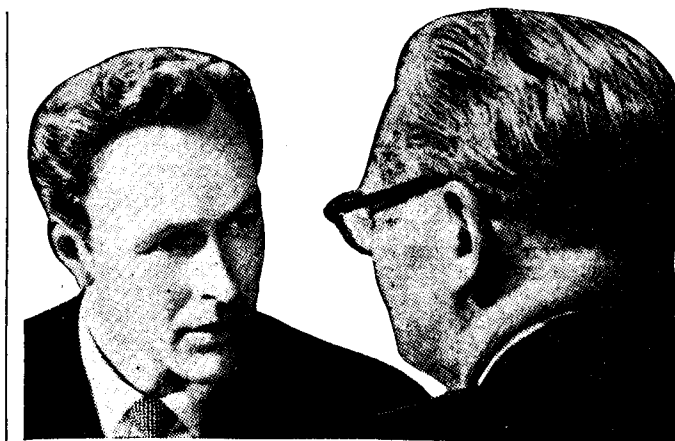
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North-Eastern District Office: 22, Grey Street, Newcastle upon Tyne, 1.
London District Office: 68, Lombard Street, E.C.3.

HEAD OFFICE:
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Total Assets (as at 30th June, 1955) £330,928,759



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HARMONY GOLD MINING COMPANY LIMITED.

(Incorporated in the Union of South Africa)

AUTHORISED CAPITAL £4,500,000
ISSUED CAPITAL (16,142,555 Shares of 5s. each) £4,035,639

Extracted from the Annual Report for the Year ended 30th June, 1955

Tons Milled 495,000. Gold produced 173,658 Ozs. fine.
Production of gold and uranium began in September, 1954, and April, 1955, respectively.

		Per ton milled
Working Revenue	£2,179,773	£4 8 1
Working Expenditure	1,553,816	3 2 9
Working Profit	625,957	£1 5 4
Working Profit	160,444	
Total	786,401	
Expenses less Sundry Revenue	124,416	
Taxation	661,985	
Profit after Taxation	37	
Preliminary and flotation expenses written off	17,138	£661,948
Expenditure on mining assets and trade investments	644,810	£661,948

The initial ore reserve was estimated as at 30th June, 1955, as follows:

Reserve	AVAILABLE			SHAFT AND SAFETY PILLARS			TOTAL		
	Tons	Value Dwt.	Width Inches	Tons	Value Dwt.	Width Inches	Tons	Value Dwt.	Width Inches
Reserve	231,000	8.0	87.9	128,000	6.7	60.3	1,007,000	7.8	58.8

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., 4, London Wall Buildings, London, E.C.2.

BLYVOORUITZICHT GOLD MINING CO., LTD.

(Incorporated in the Union of South Africa)

AUTHORISED CAPITAL £3,300,000
ISSUED CAPITAL (24,000,000 Shares of 2/6 each) £3,000,000

Extracted from the Annual Report for the year ended 30th June, 1955
Tons Milled 1,257,000. Gold produced 722,758 Ozs. fine.

Working Revenue	£9,068,363	Per ton milled £7 4 3
Working Expenditure	3,503,933	2 15 9
Working Profit—From Gold, etc.	5,564,430	£4 8 6
—From Uranium (subject to adjustment)	1,104,826	
Total	6,669,256	
Deduct Expenses less Sundry Revenue	108,871	
Taxation (£2,679,948) and Mineral Lease Consideration (£593,612)	3,273,560	
Profit after Taxation and Lease Consideration	3,286,825	
Balance of Income and Expenditure Account	1,406,201	
Expenditure on mining assets and trade investments	185,059	£4,693,026
Repayment on account of Capital portion of uranium loan	329,892	
Dividends declared—No. 18 of 1s. 2d. and No. 19 of 1s. 1d. per share	2,700,000	3,214,951
Balance of Income and Expenditure Account at 30th June, 1955		£1,478,075

The ore reserve was re-estimated at 30th June, 1955. This estimate together with that of the previous year is as follows:

Reserve	AVAILABLE			SHAFT AND SAFETY PILLARS			TOTAL		
	Tons	Value Dwt.	Width Inches	Tons	Value Dwt.	Width Inches	Tons	Value Dwt.	Width Inches
30th June, 1955	5,191,000	12.1	46.4	1,861,000	12.2	48.8	6,852,000	12.1	46.3
30th June, 1954	5,170,000	12.3	46.5	1,813,000	13.0	45.7	6,889,000	12.5	46.3

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., 4, London Wall Buildings, London, E.C.2.

COMPANY MEETINGS

AMALGAMATED TIN MINES OF NIGERIA

CHAIRMAN'S SPEECH

The Sixteenth Annual General Meeting of Amalgamated Tin Mines of Nigeria Limited was held on October 21st at Winchester House, Old Broad Street, London, E.C.

Mr J. Ivan Spens, OBE, the chairman, who presided, said:

I must first refer to the loss I and my colleagues have suffered in the death of Mr Farquharson in March of this year, who was appointed a director of this company in 1939.

ACCOUNTS

Where I refer to the year, I mean your company's and the subsidiary companies' year to March 31, 1955.

The accounts for the year will, I am sure, be considered by shareholders as satisfactory. The output of tin concentrate was very much the same as last year, but there was a fall in the production of columbite due to the reduction in treatment of mill tailings.

The profit for the year before taxation was £1,484,069, against £1,497,506 last year. Additional depreciation of £385,000 has been appropriated, of which £200,000 has been provided from the contingencies reserve.

Taxation takes £768,000, against £926,000 last year, the decrease being mainly due to the cessation of the Excess Profits Levy, reduction in the standard rate of income tax, and adjustments for previous years. Under the Finance Act, 1954, investment allowances will be claimed on capital expenditure and wear and tear allowances allowed on the cost of the new assets as opposed to wear and tear allowances on the cost less the previous 20 per cent initial allowances. This is obviously most helpful to any industry. The taxation relief on the investment allowances for the past year is approximately £29,000, and this amount has been transferred to a capital reserve.

The three dividends totalling 45 per cent already paid absorbed £494,812, leaving a balance for the year of £7,257, which increases the carry forward to £274,459.

PRICE OF TIN

The average price of tin metal realised during the year was £64 per ton higher at £721 per ton compared with £657 per ton last year. This is equivalent to a Nigerian f.a.s. price of £682 per ton, but we have to pay royalty on the higher tin metal price.

COLUMBITE

Our sales of columbite during the year were sold at the higher price based on the 100 per cent bonus price paid by the Government of the United States. In May, 1955, the bonus was withdrawn and we have since completed our forward contracts to the United States under the bonus offer. In the case of columbite we have to pay royalty on the gross price realised and consequently we are assessed for royalty on the amount of the freight charges, etc., of approximately £48 per ton on our shipments to America.

ORE RESERVES

Tin ore reserves at the end of the financial year were estimated at 44,051 tons, a net decrease on the year of 1,820 tons, against the 4,094 tons of concentrates won.

SUBSIDIARY COMPANIES

Keffi Tin Company Limited.—This company had a very satisfactory year. The columbite output was 433 tons of concentrate, an increase of 243 tons over the previous year.

A drilling programme to develop reserves in areas selected after consideration of the results of the geological investigation was continued throughout the year. Power drilling and prospecting is continuing.

Problems encountered in recovering primary columbite have been subjected to detailed study by the technical and geological staff with satisfactory results, but further study and work on improving ore dressing is required. Close co-operation with the Geological Survey of Nigeria has been maintained throughout the year.

The output of tin concentrates for the year was 72 tons compared with 60 tons in the previous year.

Plans are in hand for building a larger capacity commercial plant and a new mill for dressing the ores, and for this purpose a reserve for additional equipment has been created by appropriation of £325,000 from profit and loss account. A dividend of 100 per cent was paid during the year to the parent company.

London Nigerian Mines Limited continued to work satisfactorily, the output for the year being 250 tons tin concentrates and 10 tons columbite concentrates, compared with 271 tons tin concentrates and nine tons columbite concentrates last year.

LABOUR

Relations with labour have in the main been satisfactory. In January, 1955, a Joint Industrial Council and Joint Consultative Committees for the minesfield on the plateau were set up to help labour relations. The workers' councils which are organised by the company's welfare department and have operated for many years must continue their useful work in welfare and other matters, and will not, in my opinion, be redundant due to the formation of the joint consultative committees.

Since the end of the year new agreements have been signed, covering leave benefits and retirement gratuities.

A Federal Labour Advisory Council is being set up by the Minister of Labour and Welfare to consider and advise on matters relating to the application and operation of existing and proposed labour and social security legislation and the application of international labour conventions.

WELFARE

This subject continues to receive the closest attention of the board and the management. The technical managers' report included in the report and accounts records progress during the year.

GENERAL

I recently visited the mines, leaving this country by air on September 16th, and arrived back, again by air, on October 4th.

During my visit I had the pleasure of

meeting the Minister of Mines and Power and also the Minister of Labour and Welfare, as well as the permanent heads of their departments and the Chief Secretary and certain other officials of the Nigerian Government, including, of course, the Resident, Plateau Province, and the Chief Inspector of Mines.

Mr H. E. Wilson, who is chairman and general manager of A.O. Nigeria Limited, our managers in Nigeria, has been on leave, and we have been able to discuss various matters with him before and after my visit. Mr Farrington, the assistant general manager of A.O. Nigeria Limited, was in charge during my visit, and I would thank him for arranging my programme so efficiently.

As already announced in the press, a general strike of the African mineworkers throughout the tinfields in Nigeria started this week. Apart from the fact that all our plant has stopped, though some tin contractors are working, I have at present no further news to report.

STAFF

To both Mr H. E. Wilson and Mr Farrington and to all European staff and African staff under contract and also to all the employees I would again like to express our appreciation of the efforts they made during the past year.

The report and accounts for the year ended March 31, 1955, were adopted and the retiring director re-elected.

ARMSTRONG SHOCK ABSORBERS

ANOTHER SUCCESSFUL YEAR

The twentieth ordinary general meeting of Armstrong Shock Absorbers Limited was held on October 24th in London, Mr William Armstrong, BSc, AMIMechE (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The Consolidated Accounts show a Group profit of £180,267 compared with £128,833 in the previous year. The profit is arrived at after allowing for United Kingdom and Overseas Taxation of £140,342. The Directors propose a dividend of 35 per cent on the Ordinary Share Capital.

The Company has had another most successful year of operation and the factories at Beverley and York are still working at full speed to cope with the ever increasing demand from the Motor Car, Commercial Vehicle and Motor Cycle Industries. There is no indication whatsoever of any change in this happy position.

Besides the output of Shock Absorbers and Suspension Units for the above industries, the Heli-Coil Thread Insert is progressing favourably and the business potentialities are most promising in a wide variety of industries.

In Australia we have completed the building of our new factory at Melbourne and this is gradually swinging into production. Australia is the biggest single overseas market for British cars and I believe the establishment of our Australian factory will prove a very worthwhile step. The Australian Company had a very satisfactory financial year.

The Canadian Company also had a successful year. Our French Licensees continue to manufacture a large number of Telescopic Shock Absorbers under the terms of our Agreement with consequent benefit to your Company.

The report was adopted.

CAWOOD WHARTON AND COMPANY

SATISFACTORY RESULTS

MR ERIC W. TOWLER'S STATEMENT

The thirty-third ordinary general meeting of Cawood Wharton and Company Limited, was held on October 21st at the Great Northern Hotel, Leeds, Mr Eric W. Towler (the Chairman) presiding.

Mr Edward Binks (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 for the year ended March 31, 1955: The Group Trading Profit was £432,298 and, after providing £131,115 for Depreciation and Amortisation which is in excess of tax allowances, and £12,500 for Unsecured Loan Stock Interest, the Profit subject to Taxation is £288,683, an increase of £24,818.

The amount reserved for Taxation including the Profits Tax Distribution charge on dividends, less relief of £7,900 in respect of the new Investment Allowance and £5,768 transferred from Taxation Equalisation Reserve, is £164,468, leaving a Net Profit of £124,215, an increase of £60,730; relief from Excess Profits Levy is reflected in this improvement, although we are still denied any tax allowance for depletion of mineral bearing land worked.

With the amount of £116,781 brought forward from the previous year's accounts, and £5,961 Taxation previously overprovided, £246,957 is available for appropriation.

Dividends on Preference Shares and Preference Stock cost £5,657; the proposed Dividend of 1s. 3d. per Stock Unit, less Income Tax, on the increased Ordinary Stock will absorb £35,937; the premium on conversion of the Unsecured Loan Stock £5,000 and the costs of the capital reorganisation £3,566 have been written off, and after transferring £77,954 to General Reserve, the balance to carry forward is £118,843.

CONSOLIDATED BALANCE SHEET

The increased Issued Capital is the result of the capital reorganisation carried out in February last.

Capital Reserves are reduced by £142,396 capitalised in the bonus issue, and include £3,667 being Capital Profits on plant and Trade Investments sold during the year. The Capital Reserves in the Parent Company Balance Sheet were brought into line with the Consolidated Balance Sheet by adding thereto £69,426, being the excess of the book value of net assets over the cost of Shares in Subsidiary Companies acquired in 1953 and £28,108 Capital Profits realised by Subsidiary Companies between dates of acquisition and March 31, 1954; Shares in Subsidiary Companies in the Parent Company Balance Sheet were increased accordingly.

The amount in General Reserve was reduced by £82,954 capitalised during the year and now stands at £135,000, after transferring £77,954 from the profits during the year ended March 31, 1955.

The dates for the redemption of the Unsecured Loan Stock have been extended from 1956/61 to 1965/75 and the rate of interest reduced from 5 per cent to 4½ per cent. A Sinking Fund of 2 per cent will be set up from April 1, 1955, to provide for redemption of the major portion of the Stock in

advance of final redemption date by annual drawings.

Fixed Assets have increased to £649,525; the additions less sales amount to £129,262 and include, *inter alia*, freehold property, motor vehicles and quarrying, briquetting, concrete works plant and equipment.

The net Current Assets are £460,638, an improvement of £71,873 during the year.

REVIEW AND PROSPECTS

Certain of our activities suffered from severe wintry weather conditions; on the other hand we had an unprecedented demand for fuel of all kinds in that period; it is our intention to develop the sales of fuel oil.

Whilst the sales of sand and gravel continue to be satisfactory, competition in some building materials is developing at an increasing rate. We continue to investigate new building methods and materials; so far we have been unable to arrange commercially acceptable terms for the production of processed pulverised fuel ash as a concrete aggregate from power stations.

The small initial contract for prefabricated houses for Cyprus having been executed satisfactorily, orders for further houses and buildings have now been received from the Air Ministry; contracts have also been secured for a number of prefabricated schools.

Our transport fleets which carry substantial quantities of bulk material were well employed during the year and were of considerable assistance during the recent railway stoppage; we have renewed the contract for the haulage of all Opencast coal produced in the Notts/Derby/Leicester area from site to screens.

Coal prices continue to increase; in view of the implications on the national economy one cannot understand why Government neglects the opportunity to reduce the gap by its policy of restricting the production of opencast coal at its present level; there can be no doubt that a very considerably increased quantity is available, as well as facilities for its production, and if only this course were adopted either American imports could be further reduced proportionately, or the savage export cuts already announced could be mitigated.

Group capital expenditure for the current year has been approved at £179,300, including, *inter alia*, new and increased capacity plant at our Llanarmon Limestone Quarry which will not be completed until next year, motor vehicles, further mechanisation at existing works and quarries, forward reserves of sand and gravel land, and new administrative headquarters in Harrogate for the group.

The road programme is still totally inadequate for the country's needs; with the ever increasing volume of traffic it is hoped this work will be given the priority it demands.

Once again your thanks are due to all concerned in the attainment of the results, in a year during which conditions, due to weather and strikes, have been particularly trying to many of our people. The profits so far this year are encouraging.

The report and accounts were adopted, and a dividend of 1s. 3d. per unit on the Ordinary Stock was approved.

The retiring Directors, Mr E. W. Towler and Mr E. Binks, were re-elected, and the remuneration of the auditors, Messrs Knox, Burbidge, Henderson & Company, having been fixed, the proceedings terminated.

MIDLAND INDUSTRIES LIMITED

A SUCCESSFUL YEAR

The ninth annual general meeting of Midland Industries Limited was held on October 20th at Wolverhampton, Mr J. H. Bean, CBE (the chairman), presiding.

The following is an extract from his circulated statement:

The profit for the year, after all charges except taxation, amounts to £146,413, compared with £109,610 for last year, which I think you will agree is an excellent result. Taxation absorbs £76,600, against £68,550, leaving a net profit of £69,813, which exceeds that for the previous year by some £28,000. Your Directors have decided to transfer £30,000 to General Reserve and recommend a final Ordinary Dividend of 4½d. per share, less Income Tax. If approved, the total distribution for the year will amount to 7d. per share, compared with 5d. last year.

Whilst the total of fixed assets has again increased, the surplus of current assets over current liabilities now stands at nearly £220,000 and the Company's cash resources have again improved considerably.

NEW HIGH LEVEL OF SALES

During the year under review, sales reached a new high level. As I said last year, the Company's activities can be divided into two main sections: (1) "MIL" steam traps, reducing valves, stop valves, etc. (2) Agricultural implements.

Still further progress has been made in the sale of "MIL" steam traps and fittings and during the last two years these have increased by over 40 per cent. Their popularity is evidenced by the ever-increasing number of new customers on our books and the continued support for our products by many of the leading industrial organisations throughout the country, including British Railways, the Petroleum and Chemical Industries, Admiralty, War Office and Air Ministries, etc.

During the last twelve months the Company has acquired a revolutionary thermostatic design for the low pressure steam trap the trials of which have shown excellent results.

On the agricultural implements side the "MIL" hydraulic loader is established as a firm favourite with the farming community, both in this country and many countries abroad, due to its excellent design and trouble-free operation. In addition to the loaders manufactured for the Ferguson and Ford Tractors we have recently introduced loaders for the David Brown and Nuffield machines and a ready sale for these is becoming firmly established.

Sales for the first three months of the current year show an increase over those for the corresponding period last year; the orders for home and export continue to be satisfactory and in the absence of any major upheaval I feel confident that I shall, when next addressing you, have the pleasure of reporting another successful year.

The report was adopted.

THE GREAT UNIVERSAL STORES

ANOTHER RECORD YEAR

MR ISAAC WOLFSON'S REVIEW

The thirty-seventh ordinary general meeting of The Great Universal Stores Limited was held on October 20th in London, Mr Isaac Wolfson (chairman and managing director) presiding. The following is an extract from his circulated statement:

TRADING CONDITIONS DURING THE YEAR

The year under review has again been one of steadily increasing demand for all categories of household merchandise and wearing apparel which, as is well known, comprise the bulk of the trade of the Group. Both at home and overseas the volume of sales comparable with that of last year shows a satisfactory increase, with a consequent increase in trading profit.

In February, 1955, Hire Purchase trading, involving a wide category of goods in the consumer durable categories, was restricted by legislation which imposed a minimum deposit and a maximum repayment period. The impact of these controls, which were designed to contain the general consumption of credit in the country without placing undue emphasis upon any particular trade, has fallen, perhaps with unforeseen and unintended effect, most heavily upon the Furniture and Furnishing Trades.

Important though the part is that is played by Hire Purchase trading at home in the Group's business, I must emphasise that it now represents only some 20 per cent of its retail turnover, the remaining 80 per cent being sales of merchandise of all types and descriptions, marketed through our various channels of retail distribution on cash and short-term credit.

PROFIT AND LOSS ACCOUNT

The Consolidated Trading Profit is £18,856,896, being an increase of £3,369,155 over the previous year.

Out of this, profit Taxation takes £9,634,158, some 56 per cent thereof. The resultant Net Distributable Revenue, after Taxation, is £7,510,322, as compared with £4,760,768 in the previous year, an increase of £2,749,554.

It is interesting to note that, reviewing the last six years only, the Trading Profit of the Group has increased from £5,851,939 in 1949-1950 to £18,856,896 in 1954-1955 and that practically the whole of the development that produced this result has been financed from the internal resources of the Group, which have grown by the retention of profits and the consequent increase in Group Reserves.

SCRIP ISSUE

In view of the strength of the Company's Reserve position it is proposed that a Scrip Issue be made by way of capitalisation of reserves to the holders of the Ordinary and "A" Ordinary Stock of the Company of one new "A" Ordinary Share of 5s. fully paid for every ten 5s. Ordinary or "A" Ordinary Stock Units held.

PRESENT AND FUTURE TRADING

It is with renewed pride and pleasure that I am able to review the affairs of our Organisation and once again give you a satisfying account of a successful year's trading.

With regard to the trading in the current year, the results as at the date of this statement indicate that the decline in turnover in the Hire Purchase sections of our business, to which I have referred, will be made good and that the Group turnover for this year will again show an overall increase.

Diversification of the business of the Group represents a considerable advantage and facilitates the making of those necessary adjustments that follow the changes, often unpredictable, that arise from transitory phases in economic and trading conditions.

As regards the trading profits of the Group for the current year, I am pleased to tell you that for the period to date they compare favourably with those for the corresponding period of last year, and I am hopeful that a reasonable increase for the full year will again be shown.

The report was adopted.

GROUP PROFIT, APPROPRIATIONS AND CAPITAL FOR THE YEAR ENDED 31st MARCH, 1955

Group Trading Profit	18,856,896
Less: Depreciation, interest paid, interests of outside shareholders of subsidiaries, etc.	1,712,416
Group net profit—before taxation	17,144,480
Less: Taxation	9,634,158
Group net profit—after taxation	7,510,322
Appropriated as follows:—	
Transfer to reserves and increase in profit and loss account balance, etc.	4,582,884
Preference dividends, net	62,439
Ordinary dividends, net	2,864,999
	7,510,322
Preference Stockholders:—	
Issued capital	£2,250,000
Dividend covered by net earnings after tax	120 times
Capital covered by net assets	22.4 times
Ordinary Stockholders:—	
Issued capital	£8,424,358
Rate of dividend paid on present capital	60% p.a.
Rate earned on present capital	15.4%
Group net assets	£64,475,556

1951	1952	1953	1954	1955
£8,116,368	£9,954,976	£11,388,271	£15,487,741	£18,856,896

H. A. SAUNDERS LIMITED

RECORD TURNOVER

The Twentieth Annual Meeting of H. A. Saunders Limited was held on October 25th in London.

Mr H. A. W. Saunders (Chairman) in the course of his speech said: In making my report to you for the year ended March 31, 1955, it is again with pleasure that I am able to show profits that are an improvement on the previous year, £177,140, against £110,128. In achieving these figures, it has been necessary to increase our activities in nearly every Department and the turnover has reached a record of £6 million.

The Austin Motor Company seem to increase their activities and output every year and we have to expand to keep pace with them. To do this, we have built our new premises at High Wycombe which are now all completed and in full working order. It carries the penalty of carrying very large stocks. We are now finding that even these stocks are not sufficient for all the Austin vehicles on the road and it means further increases, in fact we are now negotiating the purchase of more land at Finchley so that we can build a really large Spare Parts Department. Negotiations are now completed to increase the size of our Service Department at Whetstone and we are now commencing to build and when completed, the premises will be three times as large as the present one. We have had to do this because we have not been able to carry out efficiently all the service required.

So far this year, for the six months ended September 30th, the profits are in excess of the corresponding period last year.

The report and accounts were adopted.

R. G. SHAW AND COMPANY, LIMITED

LARGER PROFIT AND DIVIDEND

The fourteenth annual general meeting of this Company was held on October 20th in London, Sir Harry Townend, chairman, presiding.

The following is an extract from his statement for the year to June 30, 1955:

The year under review has been a prosperous one, as was to be anticipated from the improvement in the prices of tea and rubber, especially the former. Largely for the same reason, dividends from Trade Investments improved also, and our general trading continued to be profitable. The Group profit before taxation was £154,126, showing an increase of £25,630. Your Board recommend a dividend of 17½ per cent, an increase of 2½ per cent.

Last year reference was made to the high level of prices for common teas. These continued to rise, and by the middle of January the average price of tea had reached the unprecedented level of 7s. 1½d. per lb. The inevitable relapse set in and by the end of June the average had fallen by half. Since then there has been a gradual improvement which has been more pronounced for quality teas than for "commons" and because of the near balance of the overall supply and demand position the tendency will be for the price concertina to open.

Rubber prices which were under 1s. 9d. per lb a year ago rose to 2s. per lb in the last quarter of the year and then with some fluctuations rose recently to 3s. 6d.

It is early yet to forecast the prospects for the current year but present indications are that they will not be unfavourable.

The report and accounts were adopted.

ANGLO-CEYLON & GENERAL ESTATES

RECORD RESULTS

The sixty-ninth annual ordinary general meeting of The Anglo-Ceylon & General Estates Company, Limited was held on October 20th in London.

Mr Francis W. Douse (Chairman and Managing Director), in the course of his speech, said: The trading profit for the Group set up a new record of £1,333,229 to which all activities of the company contributed. The crops of tea in Ceylon and of sugar in Mauritius were the highest ever produced.

CEYLONISATION

In my speech last year I referred to the subject of Ceylonisation and I am glad to say that the Ceylon Government has adopted a more realistic attitude towards the plantation industry by fixing for a period of time a quota system which will maintain the present proportion of European management of Estates. I am however sorry to say that certain far reaching proposals have been put forward recently by a committee of Ministers for consideration by the government affecting Mercantile establishments which will, if put into effect, have a very disturbing consequence.

To attempt to hasten evolutionary processes by compulsion cannot but have a damaging effect on the commerce of the Dominion to the detriment of its general welfare.

Now as to the marketing of tea, I referred last year to the need for the free market of tea and drew attention to the vulnerable situation which could arise if the seller was not at liberty to sell in the market of his choice. A few months ago following violent fluctuations which took place in the price of tea such a situation did arise when a complete collapse of the Colombo market compelled the Ceylon Government to release the restriction on export and to allow for a period of three months the free shipment of tea for sale at the London Auctions. It was only by this means that the chaotic conditions in the Colombo market were relieved. Unfortunately at the end of the three months period the system of export quotas was reimposed and the liberty of the seller again restricted which I think is very regrettable as the recent experience has demonstrated very

clearly a real danger of undue concentration in one market.

SITUATION IN MAURITIUS

As to Mauritius—in my speech last year I gave a very full report of the working of the Commonwealth Sugar Agreement and I also referred to the fact that this agreement had been extended until December 31, 1962. I further pointed out that the International Sugar Agreement had no connection with the Commonwealth Agreement except in so far as any surplus sugars produced by Mauritius might have to be sold at the World market price. Actually the position this year is that the quota of Mauritius sugar to be negotiated under the Commonwealth Sugar Agreement is 351,000 tons and of the balance of saleable sugar you will be glad to hear that this year sales have again been made to Canada to a total of 80,000 tons on the same basis as last year.

Mauritius has again been fortunate in having another good year as regards climatic conditions.

The report was adopted and at a subsequent extraordinary general meeting resolutions for the capitalisation of reserves were approved.

FINNEYS SEEDS

A SUCCESSFUL YEAR

The ninth annual general meeting of Finneys Seeds Limited was held on October 24th in London, Mr Ernest Cornwall (the chairman) presiding.

The following is an extract from his circulated statement:

The total group profits amounts to £41,988 compared with £27,086 after taxation. It is gratifying to note that the profits of each of our operating companies have shown an increase on those for the preceding year.

The directors propose a final dividend of 10 per cent and after various appropriations, the carry forward is increased from some £41,541 to £48,412.

The year under review can be considered to have been a fairly successful one. The very poor harvest of 1954 did create difficulties but with the help of seeds we were able to procure from Canada and the continent of Europe, these difficulties were largely overcome. With it, however, came high prices for the seed as a result of the famine conditions prevailing in regard to agricultural seeds particularly.

The very good summer we have experienced this year and the ideal harvest weather is producing extremely heavy crops of seeds of high quality and is having the effect of reducing prices very considerably on last year. Fortunately, the indications are that there will be an increased sowing-down with seeds next year, which we hope will offset the decline in prices.

The autumn seed grain trade has got off to a very good start and compares very well with last year and the sale of horticultural seeds also keeps pace.

The report was adopted.

KUALA PERGAU RUBBER PLANTATIONS

ENCOURAGING OUTLOOK

The twenty-first annual general meeting of Kuala Pergau Rubber Plantations Limited was held on October 20th in London, Mr E. G. Estall (the chairman) presiding.

The following is an extract from his circulated review: The crop for the past year totalled 339,000 lb, compared with 301,200 lb for 1953-54, and the output has been further improved during the current year. The earlier postwar replantings are now approaching maturity and some areas are already in partial tapping. The total crop realised a net average price of approximately 1s. 11½d. per lb, against an all-in cost including upkeep of the replanted areas of approximately 1s. 7½d. per lb.

This company is most fortunate as regards Export Duty as they only pay 2½ per cent on the price of the commodity, irrespective of the prevailing duty fixed by the Malayan Government. With improving crops and the present price of the commodity the future outlook is brighter than it has been for a long time.

Addressing the meeting, the Chairman said: I am pleased to be able to tell you that the increased output to which I referred in my review is being maintained. The total crop for the six months to September 30th amounted to 228,000 lb, compared with 151,000 lb for the corresponding period of 1954—an increase of 50 per cent. Thus the estimated crop for the year of 360,000 lb should be easily exceeded.

Of the crop to the end of September, 112,000 lb have been sold at the average price of 3s. 1d. per lb for all grades. The all-in cost is approximately 1s. 10d. per lb.

The report was unanimously adopted.

MANCHESTER COLLEGE OF TECHNOLOGY

APPOINTMENT OF BURSAR

The Governors of the Manchester College of Technology invite applications for the post of Bursar. The Manchester Corporation propose to transfer the College in the near future to a new corporate body to be set up under a Charter granted by Her Majesty the Queen. The Bursar will be the executive officer responsible to the Principal for such non-academic administration as may be assigned to him by the Governors, and in particular for finance matters and for matters relating to the development and maintenance of the estate and buildings of the College. Candidates must possess administrative and managerial ability of a high order and should possess qualifications in accountancy. The salary will be within the range £1,500-£2,000. The post will be superannuable.

Further particulars and forms of application may be obtained from the Principal, College of Technology, Sackville Street, Manchester, 1, and should be returned to him by November 30, 1955.

ORGANISATION AND METHODS

The Metropolitan Boroughs' (Organisation and Methods) Committee require two ORGANISATION OFFICERS.

The Committee is a joint authority providing an independent advisory service for the London borough councils. Organisation Officers conduct all types of organisation and procedural studies, as well as departmental reviews; they undertake research for publications relating to specific aspects of management.

Applicants should preferably be under 40 years of age and have O. & M. or local government experience. A degree or professional qualification would be an additional advantage.

The salary offered is £800 x £100 (p.a.)—£1,100, but point of entry will be determined by the applicant's experience and qualification. Posts are pensionable. Closing date November 30th. Further details from the Hon. Clerk, Westminster City Hall, W.C.2.

CIVIL SERVICE COMMISSION

Competitions will be held in 1956 for the following:—

Administrative Class of the Home Civil Service and Administrative Class of the Northern Ireland Civil Service (Methods I and II). At least one House of Commons Clerkship will be filled through the Administrative Class competition.

Senior Branch of the Foreign Service (Method II only). 12/56

Special Departmental Classes (Home Civil Service), i.e., H.M. Inspectors of Taxes; Cadet Branch, Ministry of Labour and National Service; Prison Officers, Ministry of Defence (Methods I and II). 17-20/56

Statistical Class (Home Civil Service) (Method I only). 21/56

Executive Class (Home Civil Service) and Branch B of the Foreign Service (Method I only) for university graduates. 22/56

Methods of Selection. Method I consists of a written examination in university hours degree subjects plus a preliminary and a final interview. Method II of a short written examination in general subjects, followed for selected candidates by tests at the Civil Service Selection Board and interview before the Final Selection Board. When two methods are provided, candidates may choose either or both.

Candidates for Method I must have, or obtain, a degree at a recognised university; the degree required for the Administrative Class and Senior Branch of the Foreign Service competitions is 1st or 2nd class honours.

Age Limits: At least 20½ and under 24 on August 1, 1956, with extension for service in H.M. Forces in addition for Statistician Class (21/56), extension up to three years for approved post-graduate experience.

For particulars (including prospects of promotion) and application forms write (preferably by postcard) to Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting the code number(s) of the competition(s) in which you are interested. Completed application forms for entry by Method II must be returned by November 30, 1955, and for Method I by February 29, 1956.

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Excellent opening for qualified Statistician (male or female) with university degree and experience of training in sales analysis and forecasting. Please write to The Personnel Director, Solartron Electronic Group, Limited, Queen's Road, Thames Ditton, Surrey.

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SALES MANAGER required by the English and Scottish Joint Co-operative Wholesale Society Limited to develop their ice cream and chocolate selling organisation in the United Kingdom. Knowledge of the trades involved will be an advantage, but will be of less importance than general ability and practical experience of organising sales. Intending applicants should write to the Secretary and Executive Officer of the Society at 100 Leamington Street, London, E.1, for further information and the appropriate form of application.

PERSONNEL ASSISTANT.—Man aged 30-35 required in London by Staff Personnel Office of a large industrial organisation to assist in recruiting, training and forward planning. Candidates should have had experience in interviewing staff of various grades. A graduate or qualified secretary or accountant preferred. Excellent prospects for future career. Applications will be treated in the strictest confidence.—Box 265.

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RESEARCH ASSISTANT required to join team of economists specialising in shipping. Initiative and originality of approach more important than specialised knowledge, although experience of statistical methods would be an advantage. Salary will be in accordance with age and experience.—Apply Box 263.

ACTUARIAL STUDENT (completed at least Part I) required by Canadian Insurance Company at its Chief Office for U.K. in London. Prospects, after qualifying, of obtaining experience in Canada (with option to transfer).—Please write, giving full details to the Secretary and Actuary, Confederation Life Association, 18 Park Lane, W.1.

ASSISTANT ACCOUNTANT, Chartered or Incorporated, recently qualified, required for London Head Office of International Oil Company. Age about 25. The position holds great possibilities for a man with a good brain and a pleasant personality. Box 335, c/o Walter Judd, Ltd., 47 Gresham St., London, E.C.2.

ASSISTANT ECONOMIST required by Colonial Office. Duties: review of economic trends and prospects; Economic analysis of Colonial Development plans; Economic Intelligence; Research studies. Provide advice and assistance in economic field to other departments of Colonial Office. Qualifications: University degree in Economics. Some post-graduate experience desirable. Salary scale £470 x £300-£680 x £135-£255 p.a. plus supplement £22 10s. 0d.—£30 p.a. plus 8 per cent. If 45½ hours per week regularly maintained. Post is temporary and non-pensionable.—Write, giving date of birth, education, full details of qualifications and experience of posts held (including dates) to AC/1218, London Appointment Office, Ministry of Labour and National Service, 100 Leamington Street, W.C.1, by November 12, 1955. No original testimonials should be sent. Only candidates selected for interview will be advised.

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Applications are invited for the above appointment in the Department of Agricultural Economics at the School of Agriculture, Sutton Bonington. Candidates should be graduates in Economics and/or Agriculture. Salary scale: Men, £450 x £25 to £600 x £30 to £745; Women, £450 x £20 to £590 x £25 to £640. Form of application and conditions of appointment may be obtained from the undersigned, to whom completed applications should be sent not later than Saturday, November 26, 1955. H. PICKBOURNE, Registrar.

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Applications are invited from Arts or Economics graduates, or Public Schoolboys with a good academic standard, aged 17½, for interesting training posts with the Engineering Components Group of Companies. Experience will be given in the major functions of the Group. The main factories are situated at Slough, Reading, Aberystwyth and Cleckheaton. In West Africa he receives experience on the selling side. On return to Manchester he is based on the Head Office as a buyer, travelling for short periods at the occasion arises to suppliers in various parts of the world and to West Africa. He will be expected to gain an intimate understanding of certain world markets and to anticipate consumption trends. The traineeship can be the start of an unusually interesting career with a large and growing organisation which can offer good opportunities for promotion, security and a pension on retirement. Candidates should be not more than 25 years old and have completed their National Service. A university degree is an advantage, though not essential. Starting salaries will be between £500 and £550 per annum, depending on age and experience, or slightly higher for trainees with exceptional qualifications.—Write for application forms to Box 264.

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Assistant Economist required in the Economic Adviser's Department. The duties of the post will be to assist in the preparation of papers on industrial economic problems and in the general study of economic trends. Candidates should have a good honours degree in economics or economic statistics and possess skill in economic analysis and the handling of statistics. Commencing salary £650-£800 per annum, according to age and experience, with superannuation and excellent prospects of advancement. Apply not later than November 5 to the Secretary, F.B.I., 21 Tottel Street, London, S.W.1.

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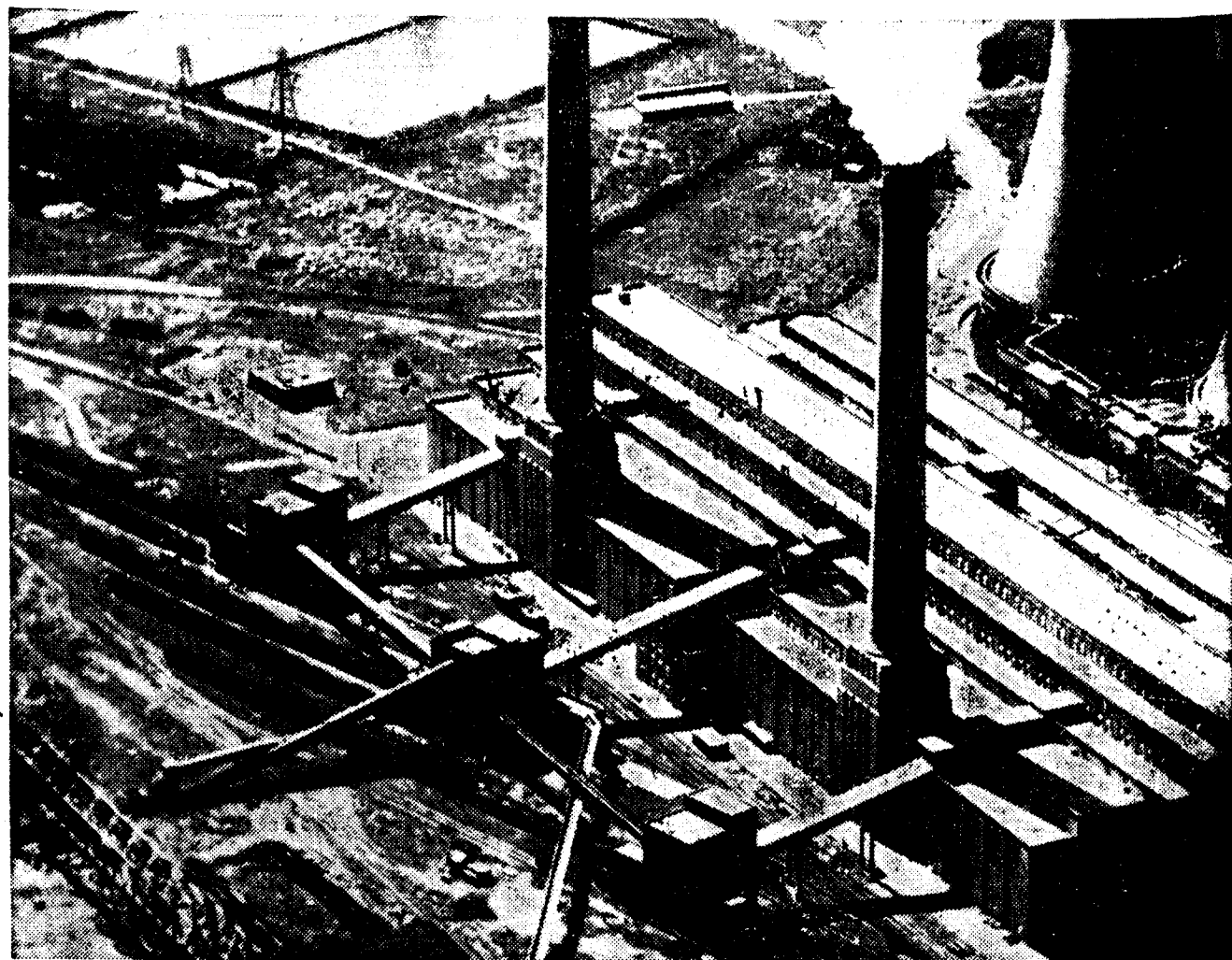
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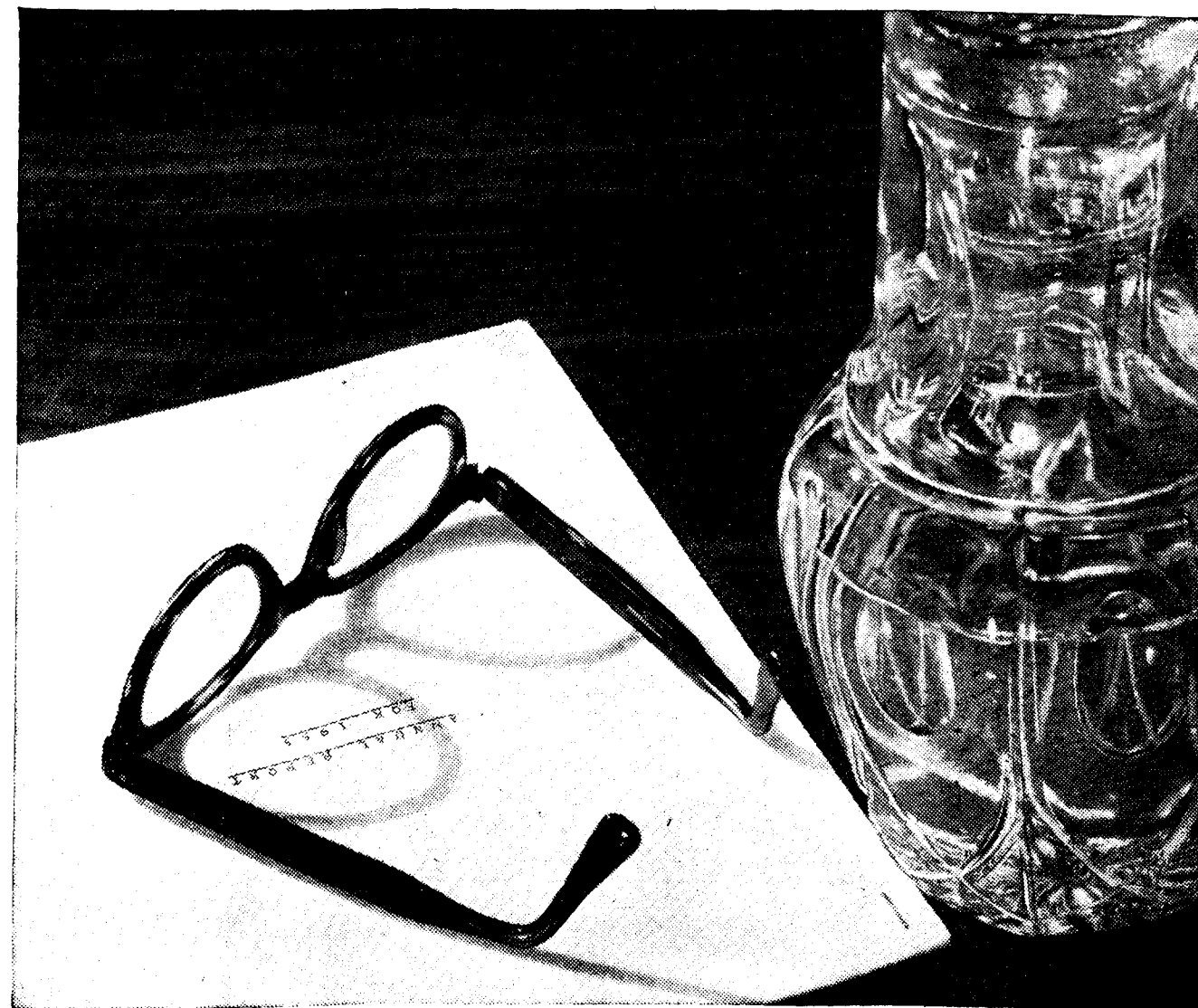
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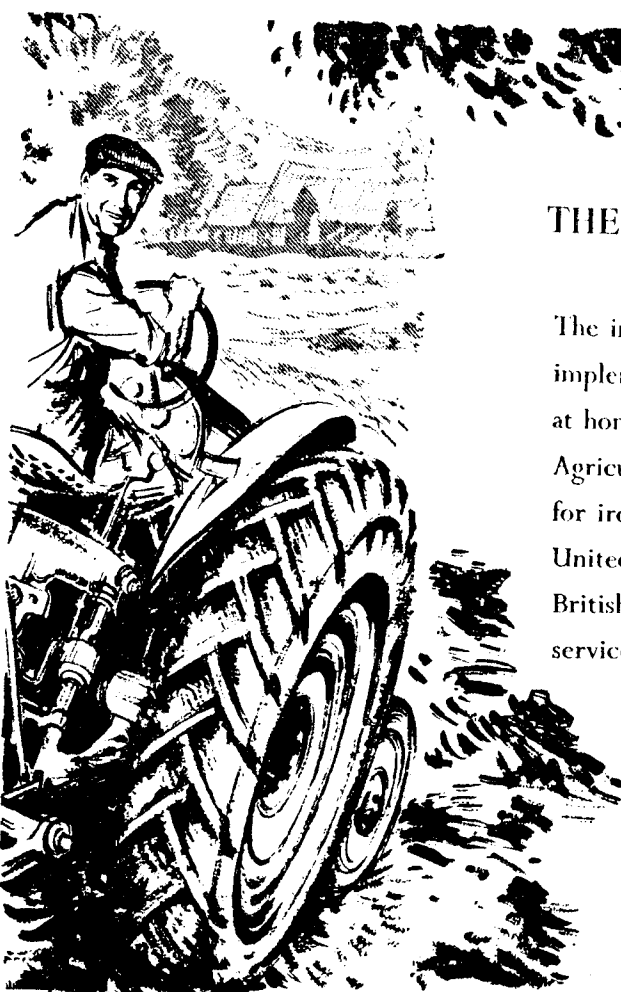
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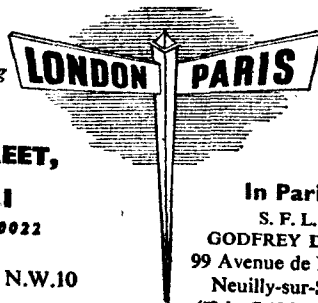
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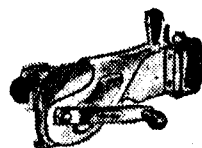
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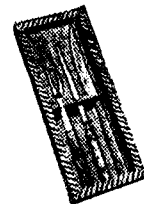
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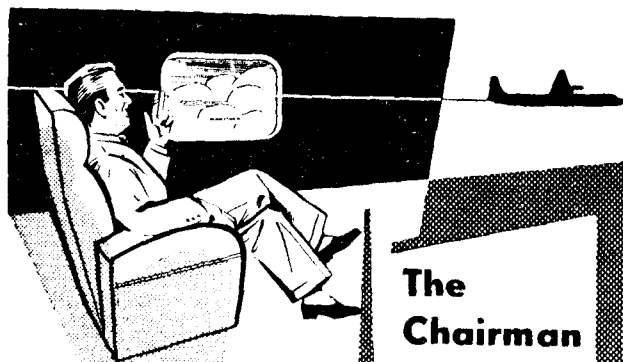


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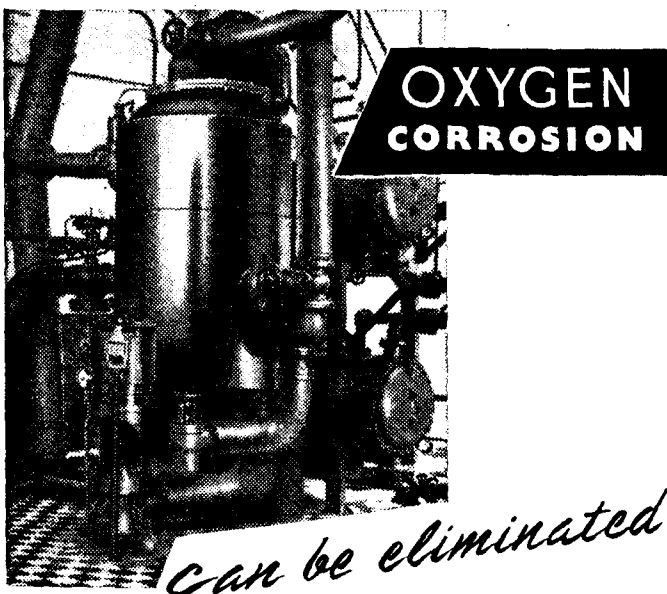


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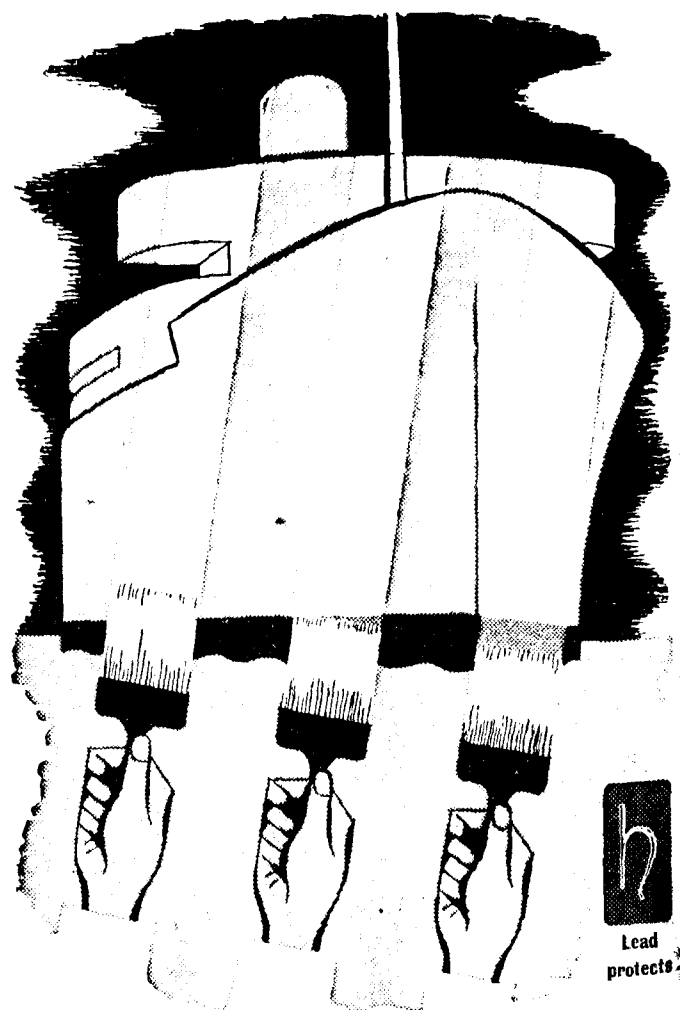
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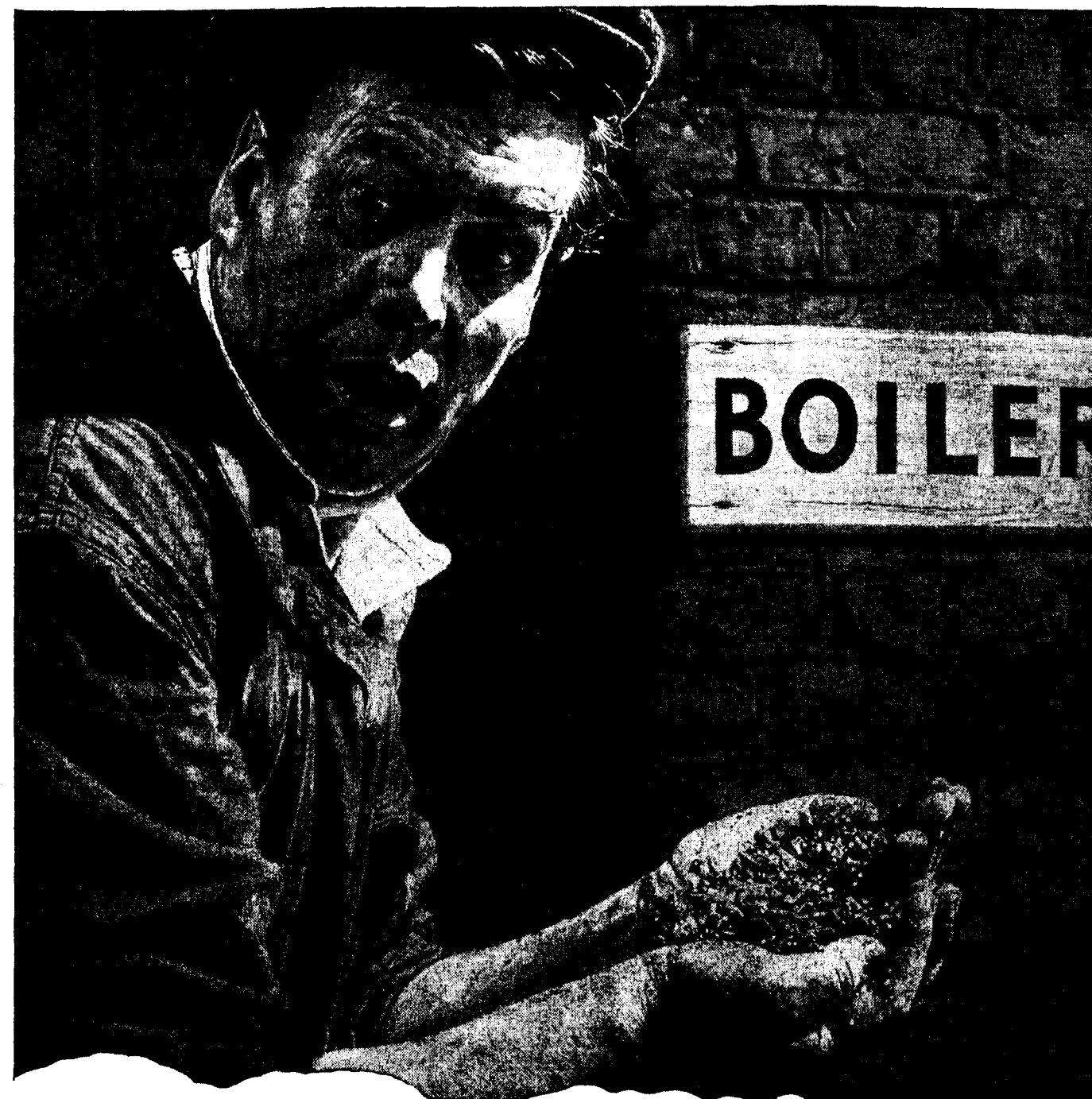
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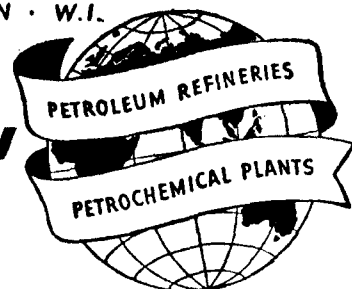
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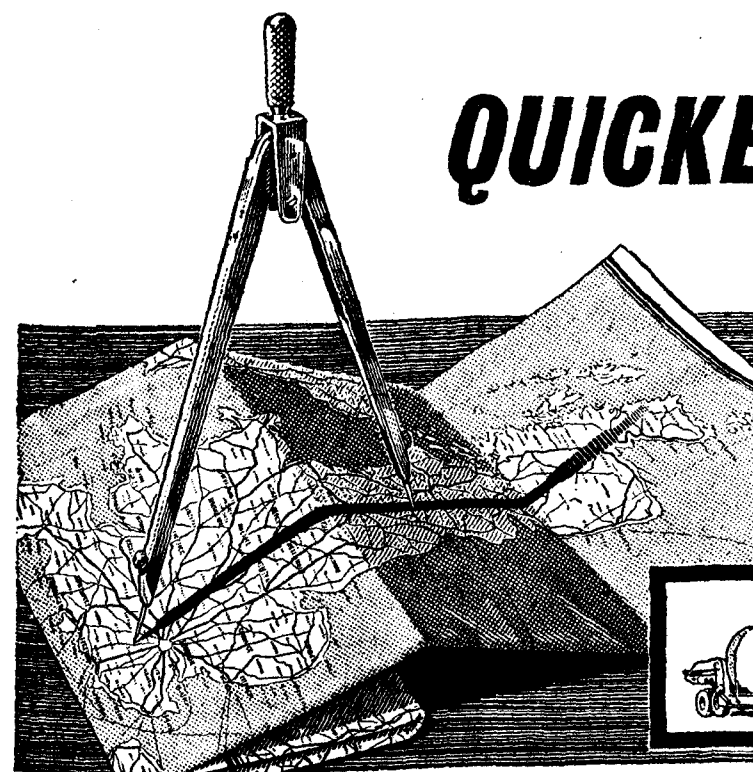
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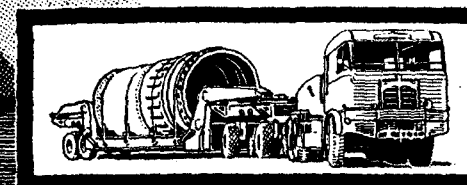
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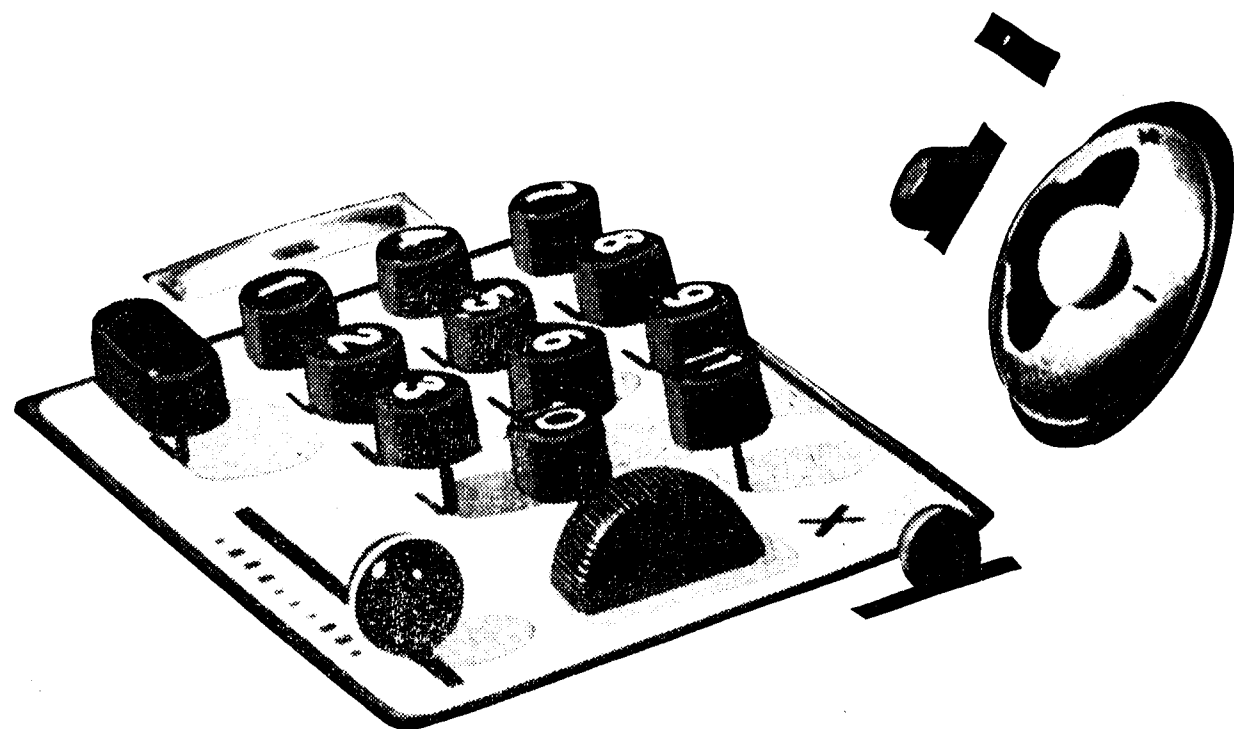


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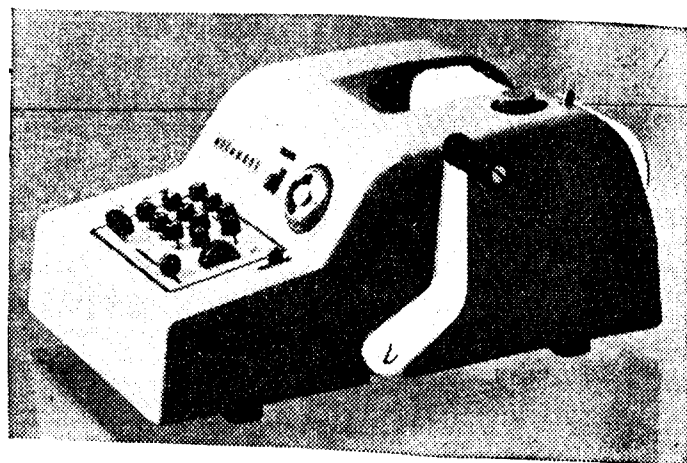


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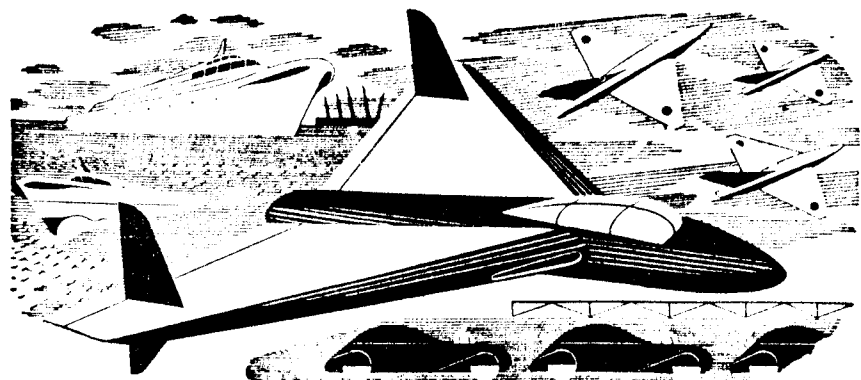
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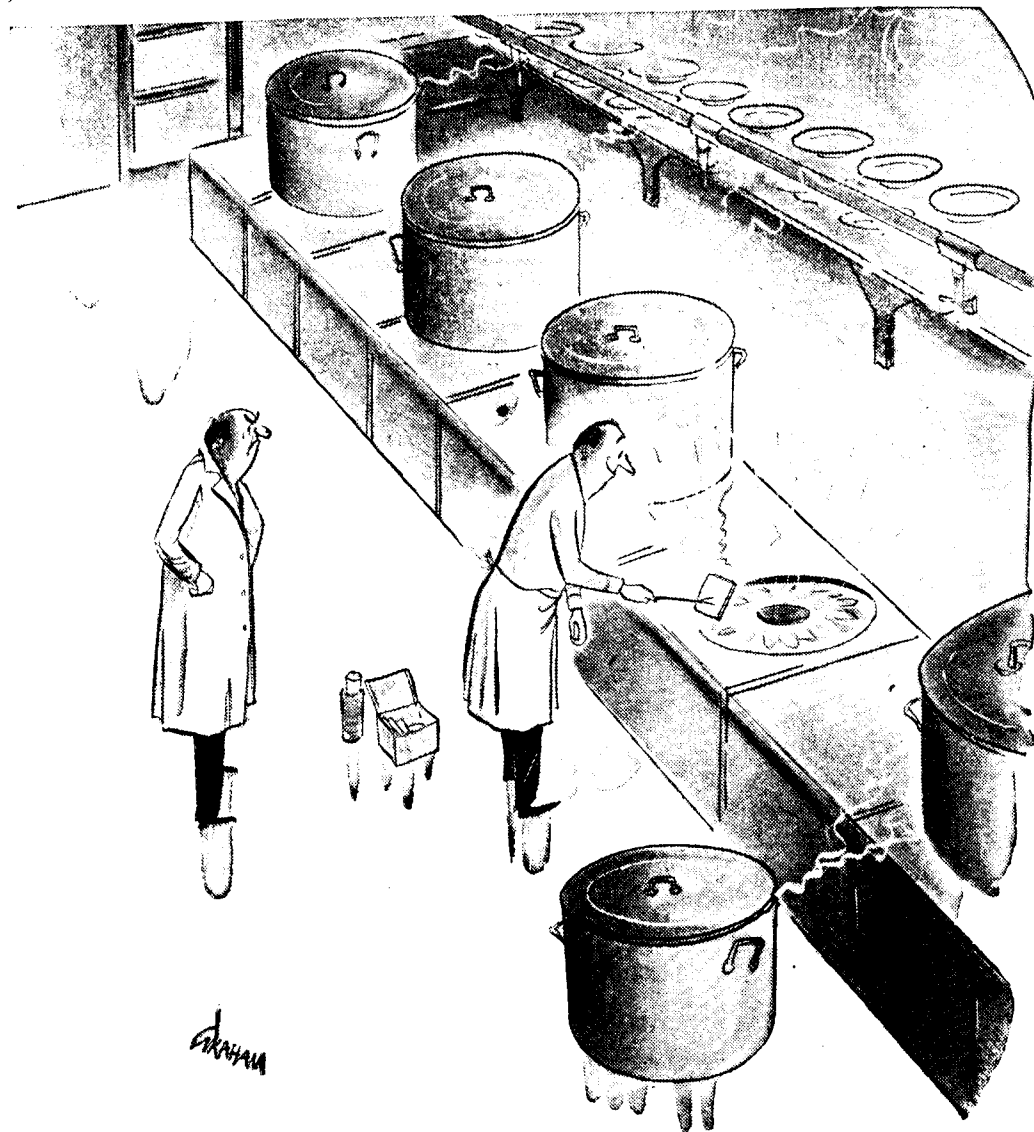
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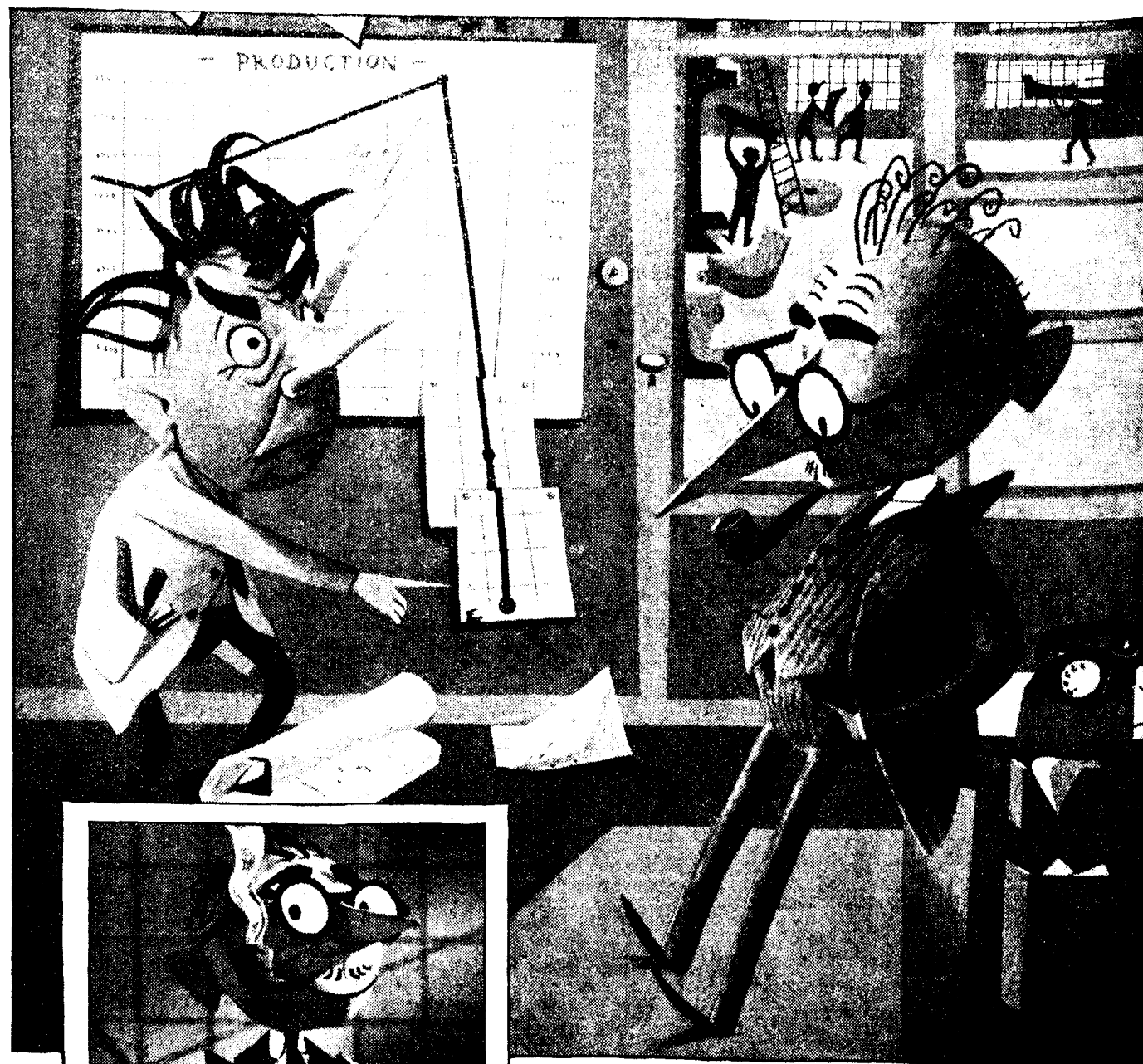
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Any Pennies for the Guy?

THERE is a danger that public comment on the budget and censure debates will harp on the question whether the Labour Party, in misusing the best opportunity for economic criticism it has had in years, has been unnecessarily rude to Mr Butler; after the Chancellor's scintillating reply on Monday to allegations of dishonour and deceit, many floating voters will probably conclude that it has. But this is a matter of very small moment. It is Labour's own affair if it manages, by poor Parliamentary tactics, to throw away some of the votes that the continuing instability of the British economy, the dockworkers and Mr Butler's short-term economic miscalculations (in that order) have won for it. The nation's job is to judge whether a Conservative or a Labour Government would be more likely to mitigate that instability and to avoid those short-term miscalculations; and the first series of major economic debates in the new Parliament has now provided new evidence on which a judgment can be based. For those who are more concerned about the direction of economic policy than about the distribution of offices between politicians, the real question to be answered by these debates was a simple one: if, as the Opposition alleges, the April Budget helped to keep Labour out of power, is that an argument against that Budget or the greatest single debating point in its favour? To answer this, and to borrow a phrase from both Mr Bevan and Mr Butler, one need not look into the crystal; one can now read the book.

There are three main criteria by which a Government's economic policy deserves to be judged. The first is how far it manages to keep an overloaded British economy—assuming that it is still to remain overloaded—from toppling into exchange deficit at the first unfavourable gust of wind. It is on this issue that both parties have so busily paraded each other's dirty washing during the past week; but most of the arguments about hypothetical degrees of past culpability have missed the main point. The fairest reading of the postwar record is surely that all three Labour Chancellors—including Mr Gaitskell in 1951—consistently cut back spending power by rather less than expert opinion at the time considered necessary; and that Mr Butler, in very different conditions, has consistently—and especially this Spring—expanded it by rather more. Both parties, in fact, have been more inflationary than at the time it seemed that they ought to be. The principal difference between them, until the last fortnight, has been that Mr Butler, partly because of astonishingly favourable terms of trade, but chiefly because his other general economic measures have been much more successful than he or anybody else had expected, has hitherto had the gods of good luck or better judgment on his side.

The new development in the past fortnight is not that those gods have temporarily deserted him; that happened some months ago. The new development is that Mr Butler has become the first politician in office to introduce measures of restraint at a time when the economy is probably still in small surplus, and therefore before a crisis has

arisen; while Mr Gaitskell has become the first principal spokesman of Opposition deliberately to try to wreck those measures, by intimating that purchase tax changes which increase the cost of living by less than one per cent provide a justifiable basis for new wage claims. It is no answer to this criticism to say that some of the particular measures that Mr Butler chose (as distinct from his objective) are ill-advised, or that Mr Gaitskell is in a peculiar political phase where he has to show certain people that Mr Aneurin Bevan "need no longer stoop to conquer." Both these points are true. But the main point remains—that during the recent debates Mr Butler did something to make the combination of price stability and full employment more possible, and Mr Gaitskell did quite a lot to make it harder. It is quite clear which man has advanced his claim to showing the greater responsibility on this first issue during the past two weeks.

★

The second criterion by which a Government's economic policy deserves to be judged is how far it seeks to maximise enjoyment and efficiency by removing distortions from the economy. Everybody knows what these distortions are. When the Conservatives came to power in 1951 the consumption of some things was too high and too cheap, and the production of other things was too high and too profitable; and it did not need any great arithmetical genius to realise that this could only be achieved by holding back the consumption and production of other things, either by direct controls or by other means. Once again, it should be admitted that Mr Butler's success in removing some of these distortions has been partly due to good luck. The two things that were most obviously too cheap when he came to power—namely, food and money—had to be made dearer to meet the economic crisis of 1951; and once they had been made dearer, by measures to which Mr Gaitskell himself would probably at last have resorted after (note that word "after") the election of 1951, a surprising number of other distortions came to pieces in Mr Butler's hands. In particular, it was the resort to a more active monetary policy in 1951 that made possible the progressive liberalisation of imports and the freeing of raw material markets in subsequent years; and it has been the freer and assured flow of imported raw materials to every factory that has largely explained the extraordinarily heartening increases in production since 1952. Whenever the Conservatives have prodded at other politically awkward distortions, as in Mr Macmillan's last Rents Act, they have rarely recaptured the efficiency of their first frightened flush.

The latest measures take another prod at the housing muddle; but they leave the other great current distortion, the agricultural subsidies, supinely alone. They are therefore in the aggravatingly slow-moving Conservative tradition. But, once again, the Opposition has seemed set on diverting justifiable economic criticism from the Government on to its own accustomed head.

The principal "cures" for the "crisis" suggested by Labour speakers during these debates have been deliberately to recreate distortions that have already been removed (such as "selective" import restrictions and some price controls); and to resist the advance that is proposed on the housing front.

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In the third, and most important, criterion of economic policy it is less easy to strike a balance between the two parties: for the simple reason that few members, on either side of the committee, seemed to realise that the criterion exists. The real charge that should have been laid against the Government during these debates is that none of its major measures seems to have any relevance to what should be the central objective of British economic policy: namely, to expand the national income, and to increase the incentive to save and invest more of it. For the full absurdity of the present *impasse* needs to be emphasised time and again. Because fixed investment has at last increased a small part of the way towards the level it ought to have achieved several years ago, it has been found necessary to cut down spending—including some spending on investment itself. Even where proper priorities have been observed, the results are profoundly depressing; the motor-road programme of this country now seems to be permanently settled at fifty miles of tantalising example between St. Albans and Rugby.

The Government may think that this criticism is unfair. After all, present troubles have arisen through a sudden if belated surge in investment. And the whole object of the Budget—and especially of the purchase tax changes—was to cut back consumption in order to allow some of this surge to continue. But Mr Butler must not make the traditional error of assuming that a measure to cut consuming is the same thing as an incentive to increase saving; it is quite probable that by taxing some incentive goods such as washing machines beyond the reach of some overtime workers, he may be destroying part of the dynamic behind the increased earnings from which higher savings almost invariably flow. And the tax on distributed profits is even harder to fit into any long-term vista. If Mr Butler had really faced the future, there are several experiments he might have made. He could have readjusted income tax rates at the margins where disincentives to work become most apparent: there are certain novel types of security, involving a promise of stability in terms of real income, that he might have found it worthwhile to float; and there is a left-wing economist's scheme for basing direct taxation on expenditure, rather than on income, which might have repaid study. Even if these schemes proved impracticable, every step in his programme should have been determined by whether it would help to create a more restless dynamic to produce, to earn, and to save. It is quite clear that Mr Butler did not judge any of his steps by this criterion at all; nor

did the House of Commons. Therein lies the principal criticism of his administration. Therein, and not in any palsied charge of personal rudeness, lies the principal charge against the Opposition.

When the final balance of these debates is struck, it will be found that the Conservatives' most fortunate escape is that Labour did not deserve any pennies for the particular guy it fabricated. It has been a ludicrous—not an immoral—idea to try to persuade the public that the bland features of Mr Butler are a cloak for dark treason and plot. But if only the Labour Party would lift its eyes from yesterday to tomorrow, it would be easy to show it how to make a guy of this Government, it would be a pleasure to show it how to be constructively cruel and really rude to this Chancellor. The guy should not be a greedy and cunning capitalist's friend; that is hopelessly out-of-date. It should be a dull and tattered thing of straw and sloth

Wraps Off At Geneva

MONUMENTAL nudes are not, happily, a dominant feature of the Geneva scene. Last week, however, the Palais des Nations was presented with two: the rival programmes tabled by Mr Molotov and by the western governments. The fig leaves of July have been stripped away, and the two plans stand massive and naked against a damp sky. Their juxtaposition does not make a cheering sight; but the unveiling itself should be welcomed. It was high time the wraps were taken off Mr Molotov, so that the world may get a good look at the stony outlines of Soviet policy. The Russian demands in regard to Germany and Europe now formally presented again are essentially those that were expected, and that were discussed in *The Economist* of October 22nd. Few people can have imagined that they would be very different. But in some quarters it has evidently been supposed that the western governments, for their part, ought to have yielded ground decisively before the conference began. That seems the only possible explanation of the fact that the offer now formally made by the West has been branded as "cynical and hypocritical" in a responsible British newspaper.

Those seem strange words to apply to the latest in a series of attempts to free the East Germans from a hateful regime, to give Russia practical and visible assurances against any future danger from Germany, and to lower both barriers between peoples and concentrations of arms. Should not the question rather be asked whether the West has not once again set its sights too low? The Russians have followed their now stereotyped tactics; they have returned to Geneva with a full set of maximum demands, so extreme that Mr Molotov has plenty of scope for making apparent concessions later and thus gaining kudos without sacrificing his real objectives—which are to get all American

and no imagination, a tinkerer with troubles, instead of the architect of a grand design for expansion.

The portrait might not be wholly fair, and it might not be as easy for Labour to unite against as the present fashionable bogey of deceit and reaction; but it would have the advantage that it would bear some recognisable resemblance to the present (instead of the past) weaknesses of the Tory party, and would therefore help to jostle public opinion in the direction in which it ought to be going. The one thing that is certain is that the country will continue to suffer from completely irrelevant politics, from very moderate Government and from unprecedentedly bad Opposition until some new leader of Labour manages to create this image in the public mind, and to lead the fight against it. At the moment, unfortunately, Mr Gaitskell seems to be principally concerned in trying to look as much as possible like the guy himself.

forces out of Europe and to reshape the whole of Germany the way Russia wants it. Admittedly, no western negotiator can play this haggling game so freely and ruthlessly. Western governments must take pains to show themselves reasonable in the eyes of their domestic publics, of their allies and friends, and of other watching nations (some of which still apply the "double standard," expecting no matching reasonableness from Moscow). But it is still arguable that, subject to these limitations, the western position at the outset of any meeting with Mr Molotov ought to allow for at least a modicum of manoeuvre.

In fact, when one examines the western proposals now tabled at Geneva, do they not correspond much more closely to the minimum than to the maximum? It is certainly not easy to see at first sight what points could be readily conceded from them; for, unlike the Russians, the West is making an offer rather than a demand. To induce Moscow to do what Moscow had long professed itself ready to do—that is, to allow the Germans to reunite under a government of their own choosing—the western powers are offering to conclude a treaty of reassurance, from which they themselves can expect no benefit. They are not touching the Russians' rawest nerve by raising the question of Eastern Europe and its people's right to choose their systems of government freely. They are offering to help establish a zone of limited and supervised armament along Germany's frontier with the Soviet empire, together with a radar "early-warning" system on each side of the frontier. Finally, they are offering to take the considerable risk that a reunited Germany might not join the Atlantic alliance—with all the hazards that that would mean for the maintenance of American forces in Europe.

This last point cannot be emphasised too often, for

it is here that the present western position seems most lamentably misunderstood. It was to be taken for granted that Communist propaganda would now resort to numerous distortions of the West's terms in order to confuse opinion (one such is a charge that the western plan involves stationing a German army in Poland). Nobody will be surprised, then, to see the Soviet press accusing the West of "stipulating that the united Germany must enter the military alignments of the western powers whether the German people want it or not." But it is surprising to find some western commentators falling into this error. The western governments have always explicitly maintained that a united Germany should have a free choice between alliance and neutrality. Common sense alone dictates this. Just how, one wonders, could the Atlantic allies compel a sovereign Germany to join their ranks, if its own freely elected government was unwilling to enter Nato and sure that its refusal to do so would be supported by Russia?

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What is, however, to be found in last week's statement of western policy is the condition that the treaty of assurance offered to Russia would take effect only upon reunited Germany's deciding to join Nato. The Soviet press pretends that this amounts to the same thing. Yet it obviously does not. The Russians may indeed have good reason to believe that they and their puppets in East Berlin have so alienated and alarmed German opinion that a united Germany would enter Nato without hesitation. The western allies will note this tacit Soviet self-criticism with interest; but they themselves cannot take German adherence to their ranks so firmly for granted. Three questions may here be asked. First, as the Russians have repeatedly dismissed all the West's proffered assurances as valueless, what would they lose if the assurances did not take effect? Second, if a united Germany chose neutrality and thereby jeopardised the whole structure of Western Europe's defences, what interest would the West have in extending its commitments by giving assurances to Russia and its satellites?

Thirdly, does not the essence of the assurances now offered to Russia consist in the fact that they would not be mere paper promises, but would be backed by the real ability of the Nato-Western Union system to exercise restraint over individual member countries? If reunited Germany kept out of Nato, it would not be subject to the practical inhibitions which would arise from the integration of its defences with WEU and the Shape command. Herr Grotewohl insisted last weekend that reunited Germany "being a sovereign state, will dispose of its own national armed forces." And the very fact that the Russians now seem happier to see Western Germany remain for an indefinite period in Nato than to contemplate a united Germany that might be outside it lends strength to the argument

advanced by the West last week that its defensive alliances, far from menacing Russia, add to Russia's security. It seems often to be forgotten that the western powers and Russia are alike committed, on paper, to restraining any aggressor, under the United Nations Charter and the Assembly resolutions of 1950; assurances given in respect of a Germany that did not belong to Nato would not noticeably strengthen these.

But the West's basic dilemma in the present negotiations is a simpler affair than these problems. At bottom, the choice is between granting a set of Soviet demands which, embracing as they do the snuffing out or tapering off of Nato, the removal of American forces from Europe, and the rigging of German reunion to produce a "democratic and peace-loving" regime *à la Russe*, point inexorably to the death of freedom in all Europe; or holding on and haggling in a way that is bound to earn the western negotiators odium for their apparent stubbornness. Yet this alleged "stubbornness" consists simply of rejecting Soviet demands that the West cannot accept and live—while the West is not asking Russia to sacrifice even its advanced *glacis* of satellite regimes, let alone to submit tamely to western hegemony. Mr Molotov's momentary readiness to set aside discussion of the more extreme Soviet demands, scarcely veils his real intentions; these may be illustrated by *Pravda's* recent verdict that Nato is "incompatible with the interests of European security."

The fundamentals of the western position, on which there can be no giving way without disaster, may be summarised as: foolproof and total freedom to enable an all-German government to be set up through fair elections; the holding of these elections at the earliest possible date, in order to set a term to the indoctrination of youth in East Germany and the growth of partnership between nationalists and communists in West Germany; and the retention of American forces alongside their allies in Europe.

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There may be room for adjustment in regard to the membership of the treaty of assurance, the extent of the controlled military zone, and other secondary issues; the western powers have made it clear that their proposals are no more than an outline and that they are willing to discuss any reasonable amendments. But, while compromise on essentials is impossible, so, too, is any sort of complacency. Merely to accept the present *impasse* would be to court the gravest danger. The western powers should both keep up their pressure on the Russians, and themselves examine every alternative formulation that does not mean throwing away the essentials of their safety. And it must not be thought that these efforts on the part of the West are needed merely to satisfy German impatience for reunion. On the contrary, the idea that the *status quo* can be maintained indefinitely is illusory, and the consequences of a German loss of patience could prove fatal for the whole western world.

Graduated Deterrence?

THERE is fairly general agreement in the western countries that the policy of the deterrent—to put it more bluntly, the threat to use the hydrogen bomb—has improved the chances of peace. Indeed, the facts are plain. Once full-scale war becomes a suicide pact it can no longer be regarded even by the most cold-blooded aggressor as the continuation of policy by other means. Even before the July conference in Geneva it was evident that both the western and the Soviet governments had grasped this fact; at that conference, they had a chance to convince each other that both had grasped it. They seem to have succeeded. The "hydrogen stalemate" is a great deal better than a dangerous unbalance, and a great deal surer than a balance in conventional arms.

This is something gained. But that does not mean that anybody can feel very happy about the present state of affairs. Indeed, who can be content to entrust himself to the monstrous paradox of building safety on a threat to destroy human civilisation? It is not only in conscience that many people are troubled, but in reason too. For suppose that something were to slip, and the bombs, which can preserve peace only because they are so awful, came to be dropped in earnest. And can one believe that the age of slips and errors of judgment is gone for ever?

Moreover, there is the dilemma of the "little wars." Is the hydrogen bomb to be relied upon to prevent them also? If so—and Mr. Dulles, with his talk of "massive retaliation" last year seemed to be implying that this was American policy—then two difficulties arise. The small nations of the world are alarmed lest any action anywhere in the world that displeases the possessors of the hydrogen bomb will lead to total destruction. And if the hydrogen bomb is the only answer to the "small war," would-be aggressors will guess (and almost certainly correctly) that it will not in fact be used. In short the friends of the western powers will be alarmed and piecemeal aggression of the Korean type will be encouraged. But if on the other hand it is admitted that the policy of the deterrent applies only to full-scale war involving great powers, then two other difficulties arise. First, other and less destructive weapons of defence have to be kept to deal with small wars, landing countries in the appalling expense of arming themselves on two (or three) levels at once. And secondly, if little wars are not to be prevented from happening by using the ultimate threat against those who start them, how can they be prevented from growing into big wars and bringing the bomb into action? How to make a threat real and sincere and believed in (which is the best hope of peace) while also making sure that it is never used (which is the certainty of utter destruction)?

It is not surprising that many people, wrestling with this dilemma in their minds, are advocating the idea that the deterrent, the threat itself, should be graduated—that just as the biggest war can be prevented by the biggest threat, so smaller wars can be prevented by smaller threats. It is an attractive idea and one which clearly requires the most careful thought. Not the least of the difficulties in thinking clearly and logically about it arises from the words that are used to distinguish the various categories of weapon that are now (or soon will be) available. Most people find it difficult to distinguish in their minds between different grades of the inconceivably abhorrent. In current discussion "conventional" is the adjective that has come to be applied to all the weapons of destruction that were in use before the first atomic bomb was dropped in August 1945. "Tactical atomic" weapons—the middle category—are those whose effect, dreadful though it may be, is confined within the radius of a mile or two. The third category, the strategic, consisting of the hydrogen bomb with its unpredictable fall-out, is the civilisation-destroyer. This threefold classification is doubtless very crude, but it will serve for the present purposes. Not all the new weapons, of course, result from atomic fission or fusion. Chemical warfare (poison gas and the like) can probably be put in the middle category. The little-discussed bacteriological weapons might be so appalling in their results that they deserve to be put into the worst group.

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In its simplest form, the proposal of graduated deterrence amounts to no more than the advocacy of a declaration by the western powers that they would employ, in the face of a threat to peace, no more force than would be needed to remove it—for example, to hit back with roughly twice the force employed in any local aggression. Other versions are more sophisticated. One of them proposes an undertaking by the western governments that they will not be the first to use weapons of mass destruction (the third category) against any targets—though they would retaliate if the aggressor used them; and, as a further step, that they will not be the first to use tactical weapons (the second category) against centres of population. This would be an attempt to confine any future war to the weapons of the war of 1939-45 plus tactical atomic weapons in the fighting area itself, while still retaining the ability and the willingness to hit back with the full horrors if the enemy used them first.

This, in outline, is the proposition that requires analysis. There are two main questions to be asked about it.

1. *Would the giving of such an undertaking strengthen or weaken the chances of peace?* This, clearly, is the critical issue where logic has to do battle with instinct. For though logic says that the most unutterably horrible war that does not happen is preferable to the most humane war that does, instinct tends to concentrate only on the horrors and to jump at any chance of lessening them. Would a graduation of deterrence lead a would-be aggressor to believe that the game might conceivably be worth the candle? To be quite specific: would it diminish the western powers' ability to deter a Russian aggression, the only likely cause of major war in the near future? If the answer to either question is in the affirmative, then it is a very dangerous proposal.

In the earlier part of the postwar decade there can be no doubt that a western undertaking not to use the heaviest available bombs on Russian cities would have increased the risks of war. Indeed, as Sir Winston Churchill has so often said, the fact that the Americans, and the Americans alone, had the atomic bomb was, in those years, the main and perhaps the only guarantor of peace. The situation is now changed, in that both sides have (or soon will have) substantially the same power to destroy each other. But in conventional arms the Russians still have an enormous preponderance, while there is no evidence that the West possesses enough tactical atomic weapons (the middle category) to stop an aggression. To give the Russians the power to decide whether or not hydrogen bombs would be used would surely be, as things stand now, to restore to them the power to overrun Western Europe while keeping their home base intact. If so, then a declaration of graduated deterrence in present circumstances could not do other than increase the risk of war.

★

Whether these circumstances will change in future is very hard (at least for the non-expert) to assess. A time may come when the forces of Nato will be large enough and sufficiently well equipped with atomic cannon and other gadgets that they can be quite sure of stopping a Communist invasion without having to drop bombs outside the war zone itself. If so, then hydrogen bombing will not be necessary to make this sort of aggression obviously unremunerative and it could therefore be forsworn without increasing the risks of aggression being undertaken. But will this time ever come—a time, that is, when a defending land army can be quite sure of defeating an attacking force many times its size? And if Europe can some day defend itself in this way, what about the rest of the world?

*These considerations do not perhaps wholly invalidate the case for graduated deterrence. But they do seem to postpone for a long time the day when the deterrent can be graduated without thereby losing some of its power to deter.

2. *If war comes, will prior declarations limit its eventual horror?* It is difficult to be other than sceptical. The modern world has not produced much evidence of a willingness of states to keep their promises. It is true that poison gas was used in the first world war and not in the second—but surely not because Hitler believed in keeping promises. If he had thought that using poison gas would help him he would have used it. If the Germans had tried to land in England in 1940, can anybody be sure that the British Government would not have used gas on the beaches—or that it would not have been justified in doing so? Furthermore, the undertakings that would be given under a policy of graduated deterrence would not be absolute promises, but conditional ones. In view of the fog of war and the paramount importance of speed in timing, could much reliance be placed on promises not to do something unless the other fellow did it first?

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Moreover, there is the question of definitions. When does a method of killing large numbers of human beings enter the definition of a "weapon of mass destruction"? What is a war zone? (We would have to beware of definitions that would appear to mean that it was all right to destroy Germany provided London and New York were spared.) To draw a distinction between legitimate military targets and centres of population may make sense in the wide open spaces of Russia and America—but hardly in Belgium or in Britain. Would the "war zone" include submarine bases, even if they were right back in the enemy's homeland and close to large cities? If so, what remains of the distinction? If not, would that mean that Britain could not hit back in the only effective way at one of the greatest menaces to its existence? It is difficult to believe that each warring nation would not give itself the benefit of the doubt in all these instances, and that a fatal competition in the use of "minimum" doses of superior force would then be started.

With regret, therefore, the conclusion must be that a policy of graduated deterrence, in any form that attempts to lend precision to the idea, does not stand up to the test of logical examination. One reverts to the major premise—if the effectiveness of the deterrent resides precisely in its certainty and its horror, then any attempt to reduce either the certainty or the horror will reduce its power to deter.

But this cannot be more than a provisional conclusion. It is difficult for the human mind to comprehend all the issues that are involved and to assess the weight of so many imponderables. Circumstances may change. It is certainly right that these issues should continue to be debated and that even those who believe most firmly in the policy of the maximum deterrent—perhaps they more than anyone—should continually re-examine the foundations of their belief.

Unfair to the Inn

BY A CORRESPONDENT

RUMBLES of complaint from the pubs, the tourist interests, the Magistrates' Association and behind the scenes at the Conservative Party Conference have suggested that all is not well with the drink licensing laws. As these laws have not changed for many years, while social and economic conditions have, it would be surprising if all was. Unfortunately, it is always difficult to discuss this problem soberly because the two pressure groups concerned, the temperance interests and the licensed victuallers oppose each other at every point, sometimes hotly. It will be wise to try to probe the present situation in search of light rather than heat.

The English licensing system began just over 400 years ago in 1552. Since then, with an interlude of "free trade" between 1830 and 1869, its essential principles have remained unchanged. Those who framed the present licensing laws had two objects. One was to curb drinking; the other, less generally appreciated, was to protect drinkers from exploitation by the monopoly which the curb itself set up. Although the two objects become entangled with each other, present controls can be briefly summarised as follows:

(1) *Control of Conduct.*—A new licence is granted only to a suitable person, and if the justices consider it will satisfy public need. It carries an excise levy, for "monopoly value," which is supposed to measure the difference between the value of the house licensed and unlicensed. The structure of the house is subject to the justices' approval both when the house is first built and when the licence comes up for annual renewal. The justices' permission is also required for alterations that change drinking space, conceal a part of the house from the bar, or affect access to the licensed rooms. Their authority is required for transfers of a licence from person to person and from premises to premises. At the discretion of the justices, licences may be declared redundant and compensation paid to the owners.

(2) *Regulation of Hours.*—Licensed houses may remain open all round the clock, but the hours during which the sale of alcoholic drinks is permitted are limited by law and fixed for each licensing district by the justices. Broadly speaking, weekday permitted hours are limited to nine hours between 11 a.m. and 11 p.m. in London, and eight or eight and a half hours between 9 a.m. and 10 or 10.30 p.m. elsewhere; there are compulsory afternoon closing periods everywhere. In Wales pubs may not open at all on Sundays, and in Scotland drinks may only be sold on Sundays to "bona fide travellers." Permission to sell drinks for an additional half hour in summer, or for special purposes, such as the televising of the cup final, must be sought by separate application to the justices or the police magistrates.

There have been three main changes since these controls (except hours) were last significantly amended. One—which, of course, is much stressed by publicans—is that drunkenness has changed not only in extent but also in kind since the turn of the century. Then there

were more than 200,000 convictions a year in England and Wales in a population of 33 million; now there are 50,000 in a population of 44 million. Then drunkenness was an excusable, or at least an expected, escape from sordid living conditions; now it is an inexcusable lapse from good manners. The temperance people may justly retort that, although these changes are gratifying, they do not justify any relaxation in the law; yet it is not only the law, but also the improvements in living standards and social habits, that explain the increased sobriety of the English people.

A much bigger change since 1900, however, has been the swing from monopoly to competition. That some in the trade are not alive to it is no evidence that it has not happened. Beer and the pub once had few rivals for the working man's leisure and spare cash; now they are humble contenders among many for the public's favours. The cola soft drinks, espresso coffee bars, and competitive television are the pubs' most recent rivals; they will not be the last. In a few socially backward areas the poor and rather sordid pubs—with amenities far lower than the average—may still attract the safe custom of a few immobile old men swilling draught beer off their pensions; but when they die these pubs will die with them. Elsewhere, in an age of greater competition, the licensing laws have been replaced, for several key decisions, by the laws of supply and demand. A new house today requires not only a licence, which in the old days was a valuable property rarely refused, but also some prospect that there will be enough customers to make it pay. The amenities of a house depend not, or not only, on the justices' requirements, but also on competition: pub improvement is essential to keep customers. And houses may be shut not only when the licences are declared redundant, but also when they become uneconomic.

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The third change has been the growth of evasion. In part, this is due to the fact that a licensing system based on devolution of responsibility on local justices, who have different problems to deal with in different areas, is ineffective in an age when the internal combustion engine has made distance insignificant. If the justices do not grant summer extensions in one district, the inhabitants can go where they do. Anyone who wants a drink in Scotland on Sunday gets it by becoming a "bona fide traveller." Those in Wales who want a drink in a pub on Sunday get it by crossing the border to England.

But, even more important, evasion has been due to the growth of the clubs. In conception the club is a self-governing, private meeting-place for people of like

interests. And so it often is. But it has also been used to by-pass the licensing laws; and it is often little more than an unlicensed pub. It is subject to almost no licensing control: it pays no monopoly value; its structure may be what its members like; it may open when pubs are closed; it may supply any lawful services, amusements, games, and entertainments its members want; it may admit children; and it need seek no favour from the authorities. In 50 years clubs have grown from 6,000 to 22,000, while pubs have shrunk from 100,000 to 73,000. And, if the licensing system remains as it is, the number of pubs may further decline and the number of clubs further increase.

That is the present situation. It is a pretty silly situation. How to repair it? Many of the temperance people, some of the magistrates and the more socially backward of the pubs seem to think that control of the clubs would be the right answer. This idea of using suppression as a cure for a condition that results from suppression would not be likely to have very enduring results. Just as controls on the pub stimulated the club, so controls on the club would eventually stimulate some other form of institution in which drinking could take place outside the law's clutches and farther from the public eye. The alternative "reform" would be to free the pubs from at least some of the restrictions that are put upon them, but not upon their competitors.

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The feasible reforms require careful consideration. One possibility is that—even if the hours for the sale of drinks must remain limited as at present—the pubs should be allowed to vary their morning and evening sessions without legal authority (in some places there is little trade from 6 to 7, when pubs are open, but there might be some after 10 or 11, when they are shut). Another complaint is that the regulations determining "monopoly value," which may raise the cost of a new house by 20 per cent or more, are absurdly stringent in an age when the pubs' monopoly is as circumscribed and precarious as it is today. These suggestions naturally raise political issues, but there are other points in what might be called the "pubs' charter" that do not seem to be so much matters of politics as matters of common sense. For example, it seems odd that the law should still insist on two public rooms in houses with full licences; if the customers naturally fall into two groups and are happier in separate rooms, the pub will have two bars without bringing in the law to force all pubs to have two bars. And the compensation system, already a dead letter in about half the licensing districts, should surely now be revised. Far from easing the cutting out of dead wood, it often delays it by encouraging the trade to hang on to uneconomic houses.

Some other suggested reforms would require changes in the attitudes of the justices rather than changes in the law. The justices' views upon the right structure for a new house often go far beyond a proper insistence that certain minimum standards

should be met. They are sometimes strangely averse to trade methods that make economic sense at a time of increasing competition: the use of tenants with a part-time job to keep small country houses going; the use of outstanding licensees to run more than one house, and so on. They could refrain from requesting licensed houses to be open when the law does not require them to be. The licensed trade may have to consider closing one day a week if it is to attract staff away from five-day-week industry. Finally, justices could surely be more liberal in permitting games, music and other facilities.

In any dispute about the liquor laws economic and libertarian considerations are liable to clash with a particular kind of morality. People who are fed up with the inconsistencies of the present laws need to realise that the only liberalisations that would—and should—have a dog's chance of enactment are those which avoid this clash so far as possible. The proposals which have been outlined in this article, most reasonable people may think, do in fact avoid it. As such they seem to make up a better case to lay on the Home Secretary's desk than the case for controlling the clubs. It is a pity that the Home Office—more, perhaps, than any other department of state—has shown the greatest sloth in recent years in allowing such problems to accumulate; and then, when they have accumulated, has shown the greatest energy in either running away from them or dealing with them by repression.

England and America

It cannot be denied . . . that the state of feeling subsisting between the United States and this country is by no means as harmonious as it ought to be. . . . Yet there never were two nations whose amity, it should seem, ought to be closer or sincerer . . . both are free, both are progressive, both are powerful. A great part of this ill-feeling arises, we are satisfied, from groundless jealousies and pure misconceptions of fact . . . we observe among our transatlantic brethren a touchiness as to their position . . . they have something of the feeling of *parvenus*, who feel that their proper place is not given them. . . . Conscious of vast energy, proud of their wonderful progress, and sanguine as to a far-reaching and lofty destiny, they yet perpetually torment themselves with the notion that we do not recognise all this. . . . So far from any feeling of this kind, we rejoice in their progress almost as if it were our own. . . . We adopt their inventions, we prize their discoveries, we copy their improvements; we hail every fresh step they make in civilisation as a gain and glory to the world. . . . We find there prevails an almost universal notion across the water that we are politically dictatorial. . . . We can only assure them that . . . we are no longer either an aggressive, an ambitious, an intermeddling, or a dictatorial nation. . . . Our sin and our danger now lie in a precisely opposite direction. . . . We now only long for peace—to lead a quiet life—to keep out of hot water. We ask only of our neighbours—and of our American neighbours most especially—that they will not, by unendurable encroachments, bully us out of our indolent repose.

The Economist

November 3, 1855

Notes of the Week

The Path of Duty

PRINCESS MARGARET has made the decision which must have been most painful for her, and which must also be in the best interests of Crown, Commonwealth and people. Her dilemma arose only partly out of her royal position. It is strange how universally it seems to be assumed that she decided to obey the teaching of her church only because she is a princess. But from what is known of her it is an insult thus to regard her as only an *ex-officio* conformer. There are thousands of men and women every year who face the same dilemma and answer it in the same way. The example she has set is not merely of obedience to royal duty but obedience to individual conscience, and even if all consciences do not put the same definition on duty, her example may have a more steadying effect on some humbler homes, and some troubled homes, than is dreamt of in certain newspapers' philosophy.

It only remains to pay respect to her, and to beg, in common decency, that the press should now leave her alone. Her Royal Highness has set an immaculate example of conscience and duty at great cost to herself; it is for the press to try, in some small way, to emulate it. This Sunday's newspapers, please note.

How Much Deflation?

THE most important question that should have been answered in the recent economic debates was not answered at all. It concerns the degree of disinflation at which the Government is aiming. The measures of restraint in the Budget are rather sterner than most people had expected. Does this mean that the Government has concluded that the prospect is more inflationary than current economic indicators suggest, or does it mean that the Government is now deliberately aiming to carry greater reserves of slack in the economy than it has done in the last few years? Mr Gaitskell, of course, said that it means both. The Chancellor, in his view, is having to combat a very grave inflationary crisis of his own making, and is also seeking to create undesirable unemployment in order to teach trade unionists a lesson; it seems rather odd that Mr Gaitskell should believe that just over £100 million of tax changes can swing the economy from one of these extremes to the other.

But Mr Butler's reply also seemed to be looking in two directions. He said that he "flatly rejects the defeatist and

restrictionist conception" that a Chancellor "should budget for a certain amount of deflation, so that he will always have a margin in hand, and that would be a margin of less production and less employment"; he still believes in "taking risks" to secure maximum production. On the other hand, Mr Butler warned the House that, in addition to his new measures, "the credit squeeze . . . will increase in severity during the coming months"; and his recent references to the need for discipline have undoubtedly been sterner than usual. One suspects—or rather fears—that the actual course of his policy may be to allow unemployment to increase to about its average level under the Labour government, and then to start re-inflating again as soon as it has gone far enough to lose him that talking point. The question of how much unemployment is desirable, to strike a balance between maximum production and reasonable price stability in a country with free trade unions, is very difficult to answer. But the Government should be told now that the problem cannot be answered by convenient political calculations of this sort.

Wages and the Budget

THE moderate men of the Trades Union Congress have been put in a difficult position, not so much by the Budget (the cost of living index will rise by less than one per cent as a result of the purchase tax changes) as by the reaction of some constituent unions—and of Mr Gaitskell—to it. The chosen spokesman for the moderates was Mr Douglas Houghton, Labour MP for Sowerby and a member of the TUC's general council; he said in the Budget debate that although "there are not more grounds for pay increases in higher taxation than there are for pay cuts following reductions of taxation," he did "not suppose for a moment that that will stop them being made." It was on Mr Houghton's initiative that the Prime Minister and Mr Butler met the TUC on Tuesday; but the statement issued by members of the TUC's economic committee afterwards, though it refers to the trade union movement's "obligations under full employment," does not suggest that the unions should moderate their claims. The new political embarrassments apart, the TUC has to keep its pleas for wage restraint down to a ration that its members will tolerate.

But, with the need for some restraint so obvious, there has been one unacceptable and one sensible suggestion this week about how the country might move towards it. The unacceptable suggestion was the reiterated plea at last week's conference of the British Employers' Confederation that employers should practise their own form of wage restraint by refraining from overbidding each other for scarce labour—"poaching," the speaker called it. This is completely to mis-

understand the meaning of a free economy. How is labour to be channelled into efficient firms, which can afford to pay higher wages, if they feel themselves bound not to do so? More constructive was a suggestion made in the House of Lords on Tuesday by Lord Perth. This was that the unions might be persuaded to couch some of their current wage demands in the form of deferred benefits, such as the guaranteed annual wage (i.e., guaranteed payments in the event of unemployment) that has recently been successfully sought by several unions in America. Another possibility would be increases in industrial pensions, which, however, would have to be transferable if they were not to root the personnel of British industry to the spot. The proposal bristles with such difficulties; but, in so far as "moral" campaigns for restraint have any effect, it might be wise for the Government and other pressure groups for moderation to start to try to influence union policy in this direction. To suggest that the workers should agitate for deferred loaves might be more promising than to ask them to agitate for no bread. It would also be to the workers' advantage.

France's Political Immortals

EVEN in its death throes the French National Assembly has remained faithful to its traditions. By accepting premature elections, it has signed its own sentence of execution; but by rejecting all the suggested substitutes for the present electoral law (which no one attempts to justify) it has in effect done its best to ensure that its successor will be modelled on its own unsatisfactory image. If anything can be discerned in the present confusion, it seems probable that elections will take place in December under the old voting system—which everybody admits is obsolete and a fraud. It is perhaps natural that the parliamentary majority should have chosen to hold the election before the opposition has had time to prepare its offensive and before the tragic events in North Africa have made their full impact; what is more difficult to comprehend is its refusal to amend so indefensible an electoral law.

The majority was assisted in its massacre of alternative electoral bills by the divisions within the opposition. The crux of the matter is that the Right is less divided than the Left. As a result, a system designed to combat a specific danger looks like straying in force even though that danger no longer exists. The present electoral law was devised in 1951 to prevent extremist "anti-parliamentary" forces gaining control of the Assembly. A system of *apparentements*, or alliances, was superimposed on proportional representation, so that alliances of orthodox "parliamentary" parties which polled more than 50 per cent of the votes in a constituency would pocket all the seats.

The system was justified at the time as the only way of defending democracy against the assaults of Gaullists and Communists. Now the Gaullist wave has receded the argument is no longer valid; but the centre-Right majority believes that to maintain the system will help it best to hold on to its power despite its poor record in office. The chief victims of M. Faure's manoeuvre are likely to be the Socialists and M. Mendès-France, who will be tempted to counter the disadvantage of an early election by entering

into Popular Front alliances which include the Communists. Probable defeat or a perilous liaison with the extreme Left: that, unfortunately, is how they may see the dilemma with which they are faced.

Turncoats in Morocco

THE story of the *volte face* of El Glaoui, Pasha of Marrakech, from fervid antagonism to ex-Sultan Sidi Mohammed ben Youssef to acceptance of his return to the Moroccan throne looks, at first sight, a collector's piece for the connoisseur of unlikely tales. Yet there is an explanation of what went on in El Glaoui's venerable head.

He is much influenced by the diehard French element of which Marshal Juin is the prototype in France; within Morocco he belongs to a group, Moroccan as well as French in composition, that has made fortunes out of investment in successful French business enterprises. From the moment of Ben Youssef's deposition in 1953 until October, 1955, this group and its sponsors in France worked might and main to keep these investments intact under the ægis of a puppet sultan, Ben Arafa. But once it became clear, this autumn, that their puppet must go and that the installation of a Council of the Throne was bound to increase the power of younger, more modern elements within the state, this group reasoned that a throne (even if occupied by a personality who was not to their taste) was better than a patchwork arrangement that might well lead to some more plebeian form of government. With El Glaoui as mouthpiece, and with a bad grace, the diehard element in France and Morocco therefore turned to the right about.

This theory about a development so sudden that it left everyone gaping is borne out by the fact that the French Right, and its blood-brother, the *Présence Française* in Morocco, have uttered little or no comment on happenings that they would not have brooked in silence three weeks ago—for instance, the stately official welcome offered to ex-Sultan Ben Youssef on arrival in France from his Madagascar place of exile and on his unequivocal statement that Rabat will be his next address.

Rouble Diplomacy in Asia

THE arrival of the *Stalingrad* at Alexandria on October 20th to unload 133 huge cases of Czech arms only ten days after the announcement of the Egyptian-Czech arms deal has given a fine fillip not only to Egyptians but beyond Suez, for it is tangible and gratifying proof of "independence." Yet the kind of stir the news has made seriously distorts the proportions that Soviet aid has so far assumed in the countries to which it has been offered.

For instance, an item that has been selected for poster publicity is an alleged Russian offer to build the new high dam at Aswan. In fact, all the Soviet ambassador to Cairo has so far mentioned is that Russia would be ready to lend technicians and to barter materials such as machinery and cement for Egyptian cotton—that is, a transaction

different only in size from the agreements to barter cotton and rice for oil made in April and August of this year. Meantime, the contract to act as consulting engineers on the high dam scheme has been awarded to the British firm of Sir Alexander Gibb and Partners; the commissioning of British firms of this type, already possessing immense and successful experience in the area, is taken so much as a matter of course that it seldom makes headlines, even in Britain.

Before hands are wrung about Soviet competition, it is well to remember what has happened in countries to which Russian "aid" has been offered. In some cases it is vastly publicised at the start, but later (when the receiving country's accounts are published) turns out to be a transaction at ordinary commercial rates. China's foreign trade minister recently revealed, for instance, that the peasant must toil at increasing food exports to the Soviet Union if China is to pay its very heavy bills for Russian help. In other cases it is concentrated on one spectacular scheme, as in the case of India's steel projects, and is not spread broadly, as is western aid, across the local economy. Finally, it is not made available as an encouragement to "progressive" regimes, but on a much more cynical calculation of its effects. In recent years, while Moscow tirelessly assured the Asians of its eagerness to help them, it extended only one credit of any real substance—to General Perón's fascist regime, to sustain it in its anti-United States policy; and in non-Communist Asia the most favoured recipient even of modest Soviet help has been Afghanistan.

Rouble diplomacy in Asia is not to be underrated, but the healthy reaction to it is to brace for a race that the best British firms still know how to win, as long as too plentiful work in steadier markets does not damp their ardour for tendering in the Middle East.

The Real Objective in Housing

IN about five years' time—that is, by about the time of the next general election—the Government believes that the waiting list for council houses will have been cleared by its new housing policy. That is the sensible objective of the policy, and it would represent a great human achievement. That is also the first and most important point that emerges from the official memorandum published this week at the time of the first reading of the new Housing Subsidies Bill. But the second point that emerges is that the Government seems to expect little, if any, alleviation of the strain on national resources caused by the present building programme. It still seems probable that the Government is being too pessimistic about this. Certainly the figures in its memorandum require close scrutiny.

The Government believes that, under the new policy, local authorities in England and Wales will continue to build houses at about their present rate of 160,000 a year for the next five years; if houses for private owners also continue to be built at their present rate, which is only a little below the local authorities' rate, the country will therefore still be building 300,000 houses a year. The Government also believes that about half of the local

authorities' output—that is, about 80,000 houses a year—will attract subsidies under its slum clearance and "overspill" schemes. It thinks that local authorities will build their other 80,000 houses a year for "general needs," despite the fact that these houses will no longer attract an Exchequer subsidy; and it is this rate that it thinks will suffice to clear the councils' waiting lists within about five years.

One point which can be made—and which certainly will be made by Labour speakers—about these figures is that local authorities may not be at all willing to build as many as 80,000 houses a year for "general needs" without an Exchequer subsidy. It would be more reasonable to expect some shortfall below this rate. But this does not mean that the objective of clearing the waiting lists within five years will not then be achieved. The missing element in the Government's calculation is that it fails to realise how far the demand, and the need, for new houses may fall if an increase in rents causes a significant number of existing but under-occupied houses to come on to the market. The increase in rents that is required is not principally in the council housing sector. Indeed, the Government has this week produced figures to show that, if its estimates of future building are correct, weekly rents in four actual and fairly representative local authorities would need to rise by an average of only 8d. a year—that is, by 3s. 4d. over the whole five-year programme—to keep the local authorities' accounts in balance. It is the level of restricted private rents that most obviously needs to rise; the new level of council rents will appear inequitable until this happens. It will be a great pity if the Government is bemused by this week's calculations into believing that its main political objective—that of clearing the waiting lists by the time of the next election—can be achieved without grasping the real nettle. That nettle must be a quite drastic amendment of the Rent Restriction Acts.

The Housing Bill

ALTHOUGH reform of the Rent Restriction Acts is, or should be, the most important part of the Government's programme, the details of the Housing Subsidies Bill, published this week, deserve separate attention. As Mr Sandys had already announced, the general housing subsidy, now reduced to £10, is to be abolished as soon as possible by ministerial order; it has now been decided, however, that there will be a special subsidy for any local authority that would then face "an unreasonably heavy rate burden" in satisfying the urgent cases on its general waiting list. The Exchequer will also continue to pay subsidies at the present standard rate (£22 rs. a house per annum) towards the cost of slum clearance schemes, and at a slightly higher rate (£24) for various kinds of "overspill" schemes. The subsidy for housing agricultural workers will also be continued. These arrangements apply only to England and Wales. For Scotland, the Government has now introduced a Bill that will abolish the system of owners' rates and put valuation for rating upon roughly the English basis. It has been decided that other measures north of the border must wait until this Bill is in force; in other words, the whole programme of reform there will lag one step behind.

The estimate that, under the new system, the Exchequer will still be subsidising 80,000 new council houses a year in England and Wales is arrived at in the following way. There are, to start with, over a million slum houses waiting to be cleared and, because of the overcrowding within them, a much larger number of families needing to be rehoused. If, as Mr Sandys hopes, the back of the slum problem is to be broken in the next fifteen to twenty years, around 60,000 new dwellings may be needed annually for this purpose. The cost to the Exchequer will be increased by the high proportion of flats in these schemes, on each of which it will pay a special (and rather surprisingly) high subsidy of between £32 and £60, varying with the height of the block—in addition to the extra subsidy for expensive sites, which will now be available for houses and flats equally so as to encourage more mixed development.

The various "overspill" subsidies are intended to assist the process of dispersing population from congested cities. They will apply to houses built in new towns, to schemes approved under the Town Development Act, and to large-scale projects undertaken by congested cities in distant areas. At present the new town corporations are building about 12,000 houses a year; few projects under the Town Development Act and the "distant areas" scheme have yet been started, but when they are in full swing they will raise total "overspill" building to at least 20,000 houses a year. Government aid in these cases is partly necessary because of the lack of a pool of prewar council houses which can help to keep down the rents of new houses; but it also represents an endeavour on Mr Sandys's part to integrate housing and town planning policies, and to persuade local authorities to build in what he regards as the right places.

The Term of Service

THE debate on the White Paper on National Service (Cmd 9608) turned largely on what makes a national serviceman efficient. To the Government's insistence on the need for a two-year period of service, even though by raising the age of the call-up the number of conscripts will be reduced between 1953 and 1958 by 170,000, the Opposition retorted that men demonstrably become fit to fight after six months' training. Labour speakers were able to ask whether Britain's retention of a two-year period of service, when other Nato countries are content with 18 months or less, means that allied forces are less efficient than British ones. Their argument that the Government has surrendered to the generals who are merely greedy of manpower will find a measure of easy popularity.

But the generals—and, even more obviously, the admirals and air marshals—are still right; indeed, if they were realistic but rude, they could point to France's military condition as an answer to the Opposition's taunts. But the decisive point is that the national servicemen are not now wanted to create a big reserve to be mobilised in war, or to maintain the absolute size of the armed forces; they are needed to maintain the services' present minimum efficiency. As Mr Selwyn Lloyd pointed out, of the 200,000 national servicemen in the Army, 6,000 are officers, 27,000 are NCOs, and 88,000 are tradesmen—all men giving indispensable service in the second twelve months of their period of service. Half the skilled men in many

units are conscripts; and the turnover amounts to twice every three years for 55 per cent of national servicemen in the average battalion and once in that period for the remaining 45 per cent. This puts a very heavy load of responsibility on the Regulars, and there simply are not enough regulars to bear any increase in it.

The Government has, however, laid itself open to trouble and endless pressure by adopting what is obviously a stop-gap expedient. For—despite the optimistic hints thrown out by Sir Walter Monckton during the debate—there are few signs that it has convincing plans for rebuilding the regular forces on the scale needed to cut the period of call-up within the foreseeable future (although the new education allowance will be a welcome relief to many hard-pressed regular officers and some regular other ranks serving overseas or subject to frequent transfer). Until the country has evidence of such plans, it will rightly conclude that, however important the trained national serviceman can be shown to be to the forces, the basic problem has not been faced. Meanwhile, the fairly rapid rundown of Britain's armed forces certainly does not lag behind the "reductions in service commitments" which, though Labour speakers waxed enthusiastic about them, are more apparent than real; and the efficiency of these forces is now dangerously poised on a political compromise.

The Four's First Week

THE early stages of the Geneva conference scarcely seemed to justify the words of cheer which Mr Dulles uttered on Wednesday. Perhaps he was encouraged by the mere fact that Mr Molotov, after a dogged effort to separate the questions of German unity and European security—in defiance of the "summit" directive, which required them to be discussed as one item—had at last tabled the Communist programme for Germany, nominally drawn up by his puppets in East Berlin (it is described in an article on page 491). But the programme itself offered no encouragement, based as it was, according to Communist commentators, on the thesis that "free elections are a device for enslavement" (a chilling echo of Orwell's "1984" slogan, "Freedom is Slavery"). And Mr Molotov took care to double-lock the door by emphasising that the absence of East German representatives from the Geneva conference table made any discussion of reunion futile.

In its first week, indeed, the conference had the appearance of exactly the kind of exchange of monologues which M. Pinay, in his opening address from the chair, had begged his colleagues to avoid. But it has been a one-sided affair. The western ministers deserve credit for the way they have tried both to explain why they cannot concede Russia's demands, and to penetrate behind Mr Molotov's curtain of jargon in order to grasp what he really wants. He, however, has shown little interest either in listening to the western explanations or in giving any himself. The Soviet case is again being presented in stereotyped formulae, almost, one might think, in looking-glass language. Thus, reunion must be arranged by "the Germans themselves"; but Mr Molotov is deaf to the western argument that that is precisely why all Germans should be granted free elections. Again, tension is "caused" by alliances; in vain have the

western ministers pointed out that Nato and Western Union were created because, and long after, Moscow had solidified half Europe into a monolithic bloc.

There has been no sign yet of the "other matters" which Mr Molotov once hinted that he would raise. The real "other matter" at Geneva has been the presence of Mr Sharett, who found Mr Molotov fully as unresponsive as did the western ministers. Present Soviet policy towards Israel seems to be governed simply by considerations of what will ingratiate Russia further with the Arabs.

Hands Across the Minefields

THERE are touches of imagination in the proposals which the western ministers have tabled at Geneva for the removal of barriers between the free and the Communist worlds. The idea that radio networks on each side should give an hour or so periodically to a spokesman authorised to explain the other side's point of view is admirable; one hopes it would not run into trouble in connection with the fourteen-day rule. It is certainly fair to point out that Soviet jamming of broadcasts is "incompatible with the directive from the four heads of government and should be discontinued." But the West should not only press all its proposals; it should add others. Obviously there should be exchanges between libraries of books, periodicals and newspapers, but why only between libraries (access to which can be, and often is, severely controlled in Communist countries)? *Pravda* and *People's China* can be bought by individuals in London; how much longer are the many Russians who understand English and other western languages to be barred by their rulers from purchasing foreign books and journals?

This is no mere debating point. The Soviet government is increasingly aware of its hermit-like reputation and of its own subjects' eagerness for contact with the outside world. It is, in fact, strenuously trying to make out that it no longer imposes barriers. "The Soviet Union throws its doors wide open to foreign visitors," declared Moscow radio last month; and Russian spokesmen tirelessly recapitulate the numbers of "delegations" exchanged with other countries. On Monday Mr Macmillan patiently and rightly told Mr Molotov that these selected, limited and escorted visits are of scant interest to peoples accustomed to free and uninhibited contact. Fear and suspicion will, indeed, be significantly lessened only when individuals can move freely across the mined and high-voltaged-wired barriers with which the Communists have scarred the face of Europe. And the jovial assurance given by Mr Ankudinov, the head of "Intourist," in London last week, that British visitors will find no restrictions on movement within Soviet territory would ring less hollowly if whole areas, such as the Baltic states, had not been virtually sealed off from outsiders' eyes for a decade and more.

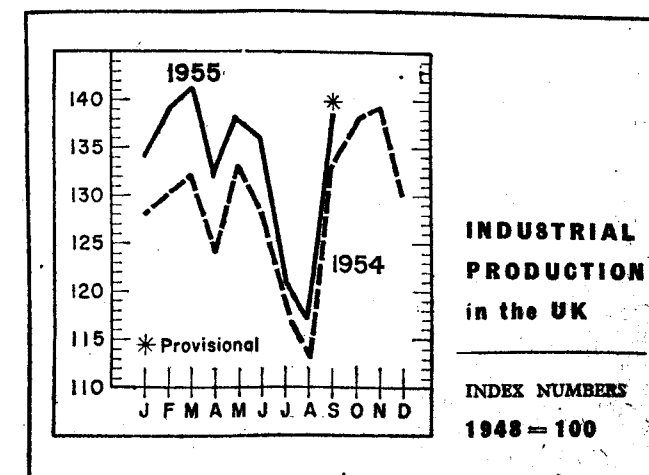
Not surprisingly, Mr Molotov's main response to western suggestions about lowering barriers was to demand unrestricted trade—and, intriguingly, to hint at a new eagerness for credits from capitalist countries. He thereby reminded his audience that Marxist regimes are more interested in machinery and minerals than in men, and that the Com-

munist bloc is still as keen to obtain western supplies as to learn from western "advanced techniques." Two other reminders might usefully be added: that Communist regimes naturally control all their foreign trade, so that a scrapping of western controls would produce a decidedly one-sided situation; and that, despite all that Mr Molotov may say, friendship and understanding do not, in reality, always follow the trade flag. Machine-tools and manganese are no substitute for personal freedom of movement, and the West ought not to accept Mr Molotov's argument that the two are inseparably linked.

Party Games in Singapore

THERE could hardly have been a more blatant demonstration of Communist techniques for gaining power than that staged at the first annual conference of Mr Marshall's Labour Front party in Singapore last week. The Communists showed their contempt for the efficiency of the newly-created party organisation by packing the hall with delegates who were not properly accredited, and with their aid elected a president who was not Mr Marshall's nominee. But Mr Marshall had evidently counted the total of authorised votes beforehand, and, when the result came out wrong, promptly demanded a check of the delegates' identity cards, whereupon the intruders made for the door, trampling a junior minister in the process. The reconstituted assembly then voted the elections void and proceeded to a new election the following day.

The meeting itself was an earnest of Mr Marshall's desire to develop the Labour Front as a strong and organised party to combat the growing strength in the colony of the People's Action Party, which, though weak in the legislature, is rapidly recruiting members to its militant group of trade unions, notably the Factory and Shop Workers' Union. It makes little secret of its objective—to discredit Mr Marshall's government and to seduce the Singapore Trade Union Congress group of unions to the PAP side. The TUC group are politically passive, and perhaps none too well organised, though they hold on to their members by a fairly successful record of wage negotiations. Yet there is plenty of evidence that the process of infiltration has begun, and there can be little doubt that the PAP leaders



rely upon this process to obtain increasing control over the colony economically and, in due time, politically. Meanwhile, Mr Marshall plans a series of goodwill visits to neighbouring Asian countries, culminating in a visit to London to make contacts and discuss the agenda for the constitutional conferences next spring. These visits will no doubt yield useful results if he can leave his party and the TUC unions in safe hands while he is away; but last week's incident should perhaps suggest to him that the ground is moving under his feet.

Bread Against the Budget

THE announcement that the bread subsidy is to be raised by £2 million a year, leaving the price of bread unchanged, was a masterpiece of bad timing. Only two days before, the Chancellor had said that

the criterion of economy and efficiency will have to be applied at the right time to the range of subsidies falling within the field of the Minister of Agriculture

and the bread subsidy more than any seems ripe for abolition. But the announcement, of course, had no connection with the Budget. Discussions had been going on for some time between the Ministry and the industry about bakers' profit margins; and it had been agreed that the existing margin of 5s. per 280-lb sack of national flour, unchanged since 1941, had been seriously eroded by rising costs. To some extent the Ministry has meant it to be so eroded, as a way of squeezing bakers' profits. But if the policy is still to have a bread subsidy it necessitates fixing bakers' margins, and their increase (by 2s. to 7s.) could hardly be postponed any longer.

The change does not rule out an abolition of the bread subsidy in next year's review of agricultural prices. It had better not. But there are two obstacles in the way. One is that abolition of the subsidy would raise bread prices by 2d. a loaf and would mean an increase in the cost of living index. The other is that it might bring about the demise of many small bakers, who would find it hard to face the competition of the plant bakeries without its help and that of the special additional subsidy of 4s. per sack on the first 25 sacks that they use. There would be some regrets at seeing their nice crusty loaves further ousted by wrapped and spongy factory products, but it most emphatically is not worth a subsidy now costing £41 million a year to keep these small and inefficient firms in being.

Largesse for Laboratories

SEVENTEEN important companies in British industry have this week made a solid contribution to the problem of producing more scientists. They have raised a fund of £1,500,000 for "the advancement of science in the schools"; and this may be only a beginning, for it is hoped that other firms will wish to contribute also. From this fund capital grants will be made towards the building and improvement of science buildings in independent and direct

grant schools, whose applications will be considered by a committee under the chairmanship of Sir Hugh Beaver. Maintained schools are excluded from these benefits, the companies' statement points out, because they draw on public funds to finance their capital works (including 1,000 new laboratories built since 1945); the independent schools get no such help, and even the direct grant is a capitation grant towards general running costs only. In spite of increases in fees most independent schools are hard put to it to modernise and equip their buildings as they need to do. The grants from the new trust will therefore be of very great value to them—and incidentally may lessen the bias towards classics and literary subjects, which is still characteristic of so many public schools.

The fact that the industrialists' intention is to remedy a relative disadvantage now suffered by the independent and direct grant schools would not have saved them from a charge of class prejudice if something were not simultaneously done for the maintained schools. In a written answer on Tuesday, therefore, the Minister of Education announced that he is prepared to consider any projects for new laboratories costing more than £10,000 (below that figure his permission is not required). These projects will presumably be added to the building programmes for 1956-57, which, as Sir David Eccles was happy to inform local authorities this week, have escaped Mr Butler's axe. Only one thing will then be needed to produce a very real improvement in school science—more, and better, teachers.

Copyright Mistakes Repeated

THE brief Copyright Bill which was introduced into the House of Lords early this year, and which expired with the last Parliament, has now been replaced by a comprehensive codifying measure replacing the Act of 1911 and extending the scope of copyright. It is a complicated subject, and consequently a complicated measure is needed to deal with it. But perhaps the hard work involved in grasping the intricacies of the new Bill will persuade both Government and Opposition to give it a great deal of time and consideration.

For the objections that were raised last March to the limited aim of the old Bill have not been met in the new. In order to ratify the Brussels revision of the Berne Convention, the Government is persisting in its intention to interfere with the arrangements under which some cheap editions of the works of recently deceased authors are published; it is going to repeal the provision in the Act of 1911 that at present enables any publisher, on payment of a statutory royalty, to publish a work in the second twenty-five years of the fifty-year period of copyright.

Furthermore, not only does the new Bill repeat the provision in the old to set up a new form of copyright in television broadcasts; it is also extending it to sound broadcasting—though in the latter case no infringement of copyright will be involved merely by turning on the wireless in a hotel lounge. But, under this part of the Bill, public (however small and restricted the public) viewing of television programmes will be subject to the new copyright, which means on payment of a licence fee and, possibly, against a background of continual pressure from the actors'



SHREDS OF EVIDENCE

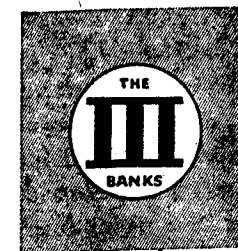
But evidence of what? Some happening, back in geological time, left behind this strange material, with its long, thin, hairlike fibres; but, so far, the fibres have kept their secret. Their present usefulness, however—a usefulness which springs directly from this unique, fibrous composition—is no mystery 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.



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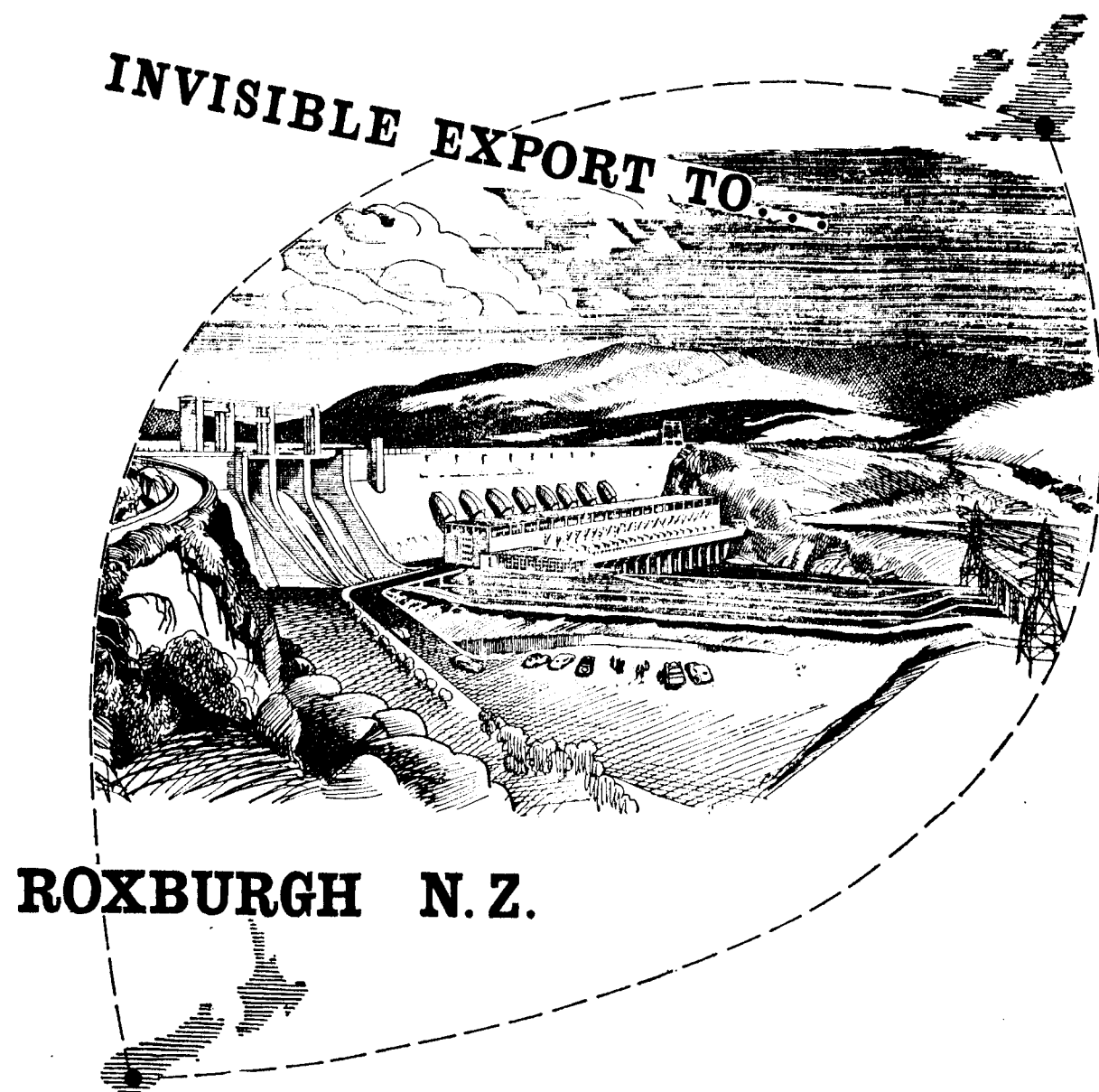
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The Roxburgh Hydro Electric Project on the River Clutha in Central Otago, New Zealand, is now in an advanced stage of construction. The Dam when completed will be 1,200 ft. long and will rise 200 ft. above the river bed—the largest in the Dominion. The station is designed to feed 320,000 kilowatts into the South Island grid system. The contractors are Holland & Hannen and Cubitts (New Zealand) Ltd., Conrad Zschokke Ltd., Geneva, and Downer & Co. Ltd., Wellington, New Zealand, working together under the title Cubitt Zschokke Downer. Cubitts' long experience with large contracts at Home and Overseas thus gains exports both visible and invisible and adds to Britain's prosperity and a Dominion's development.



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and musicians' unions that licences should be refused wherever live entertainers could be employed. It is true that the proposed Performing Rights Tribunal is intended to prevent unjustifiable refusals to grant a licence as well as to determine disputes over tariffs. But the problem of finding more revenue for the BBC and the ITA could surely be solved more simply than by this cumbersome proposal, which first sets up a new form of copyright and then a tribunal to try to mitigate its possible abuse.

Siren Songs for Japan

LIKE Ulysses on his perilous homeward voyage, Mr Hatoyama is finding it difficult to keep his crew on their proper course as the Sirens' songs echo seductively from the Communist mainland. He has recently been faced with the return of four Japanese delegations from visits to China and North Korea, all of them having undergone intensive blandishment intended to draw Japan closer to the Communist bloc. Mao Tse-tung himself has offered to visit Japan in person. Two parliamentary delegations, to Peking and Pyongyang, have been persuaded by their hosts to sign joint statements calling, in remarkably similar language, for "positive efforts" to restore normal diplomatic relations, for an extension of trade and cultural exchanges, and, in the case of China, for the "swift abolition" of the United Nations embargo on the supply of strategic goods. In addition, both the Chinese and the North Koreans last month signed brand-new trade "agreements" with private Japanese business groups, neither of which can be properly implemented while the strategic restrictions last, and which are clearly designed to excite Japanese irritation with the trade controls.

As the Chinese-American talks in Geneva languish, the Communists are plainly concentrating their attentions on Japan. The proposal to turn the Chinese trade exhibition in Tokyo into a permanent organisation (to which the Japanese parliamentarians signed their names) is the thin end of a wedge which, by forcing Mr Hatoyama to grant step-by-step recognition of the Peking regime, is intended to open a gap between Japan and America. The Japanese must decide how far they are prepared to let the process go. It is surprising that the Diet delegation to Peking, which included both Liberals and members of Mr Hatoyama's own Democratic party, should have been so naïve about the Communists' purpose. It seems particularly dangerous, at a time when Japanese relations with South Korea had shown signs of improving, to begin to flirt with the North Koreans once again; even Mr Shigemitsu's hasty disclaimer may not be enough to quell Dr Rhee's suspicions. The Japanese might do well to recall the ugly sight that confronted Ulysses's men near the Sirens' home: the spars of wrecked ships that had been tempted too close to the shore.

Shorter Hours in Belgium

A NATION-WIDE strike which would have paralysed Belgian industry was narrowly averted by an agreement signed in the early hours of last Saturday morning.

The unions, it is clear, have substantially won their case for a 45-hour week spread over five working days. The agreement, which became possible only after the Prime Minister himself had intervened, will cause misgivings not only among Belgian industrialists but also among Belgium's partners in the Benelux Union and the Coal and Steel Community.

Some industries, notably the chocolate-making industry, had already conceded the 45-hour week and, under the new agreement, it will be introduced into all other industries by stages. Although in most countries of Western Europe a 45-hour week would be regarded as normal or even somewhat excessive, in Belgium, owing to such factors as the comparative poverty of natural resources and inadequate investment in new plant and machinery, costs in industry tend to be high, and a reduction of working hours might well add to the problem of keeping the country's industrial products competitive. The problem of Belgium's high labour costs has often troubled economic relation with its Dutch neighbours. It would be a pity if the Belgian action caused a set-back to the steady advance of Benelux. In the coal-steel pool, moreover, the high-cost difficulties of the Belgian coal mines have been recognised by the other partners and, during an interim period of five years, they were granted a subsidy out of High Authority funds in order to modernise and increase productivity. Here, too, eyebrows will be raised at the new agreement.

The Belgian Prime Minister, M. van Acker, who heads the Liberal-Socialist coalition, was admittedly in an unenviable position, for the demand for shorter hours was supported by all sections of organised labour, Christian and Socialist unions alike. But if economic and political difficulties are to be avoided, a strenuous effort will be needed to see that the cut in working hours is compensated for by an increase in productivity.

Togoland Dilemma

THE report of the United Nations mission to Togoland puts an embarrassing choice before the British Government. It declares that, if a plebiscite is to be held among the Togolandese now in British trusteeship to determine their wishes when the Gold Coast becomes independent, they must be given a real choice: between joining the Gold Coast or remaining a British trust territory. Later, the report envisages, the French could hold a plebiscite in their segment of Togoland which might lead either to French Togoland joining the French Union organically, or to its becoming an independent state which the British Togolandese (some 400,000) could then join. If they did that, it would subsequently be open to a reunited Togoland to "federate" with the Gold Coast.

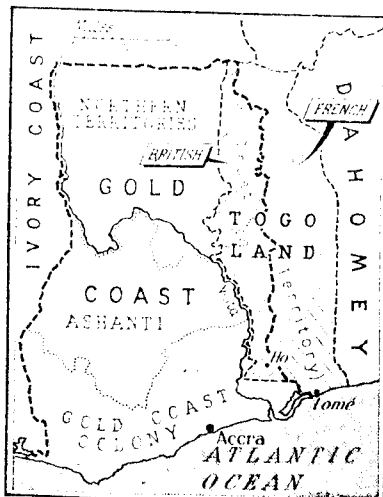
This report is particularly awkward because British statements for some years have insisted that when the Gold Coast becomes independent the Togolandese must join it, or find a new power to take them in trust for the United Nations, since Britain will not continue to exercise sovereignty in the area. Britain has therefore strongly supported the Gold Coast government's case before the United Nations to take over Togoland as a mandatory power. The British argument makes sense in terms of West African colonial policy. It is of the highest importance that the

Gold Coast, when it becomes independent, should get off to a flying start, realising at once the sincerity of British motives and perceiving the advantage of staying in the Commonwealth (presuming that the other full members will all accept the new member—which now seems more likely than it did some time ago). For Britain to rule in Togoland would certainly be regarded by Dr Nkrumah and his colleagues as a breach of promise made in the past to get out completely; it would give Gold Coast extremists a chance to work up anti-British feeling, and would probably strengthen Ashanti separatism.

Yet the visiting mission's argument is valid; a plebiscite with only one answer is no plebiscite at all. The United Nations is most unlikely to accept any other alternative—such as extending French trusteeship now; and no plebiscite would be regarded as fair unless the United Nations sponsored it. In the United Nations there is a deep, if surprising, suspicion of the "black imperialism" of Dr Nkrumah's government—and little less of British motives in supporting it. And some of the United Nations, of course, would be delighted to see Britain embroiled in another colonial muddle. It will not be easy to find a way out—not least because of the practical difficulties imposed by the probability that the Northern and Southern parts of Togoland will vote differently.

A Matter of Face?

QUESTIONS about the "14-day rule" (the ban on broadcast discussions of subjects that are to be debated in Parliament within a fortnight) have now become a staple part of the Parliamentary diet whenever the Prime Minister or the Postmaster-General has to take his share of Question Time; and there is a real danger that Sir Anthony in particular, in his repeated defences of an indefensible rule, is one day going to make a statement from which he can never retreat. This week's crop of questions boiled over after a ludicrous confusion about the application of the rule to the Budget. The debate on the Budget resolutions ended at teatime a week ago this Friday. The ITA rightly interpreted this as meaning that from that point onwards discussion of the Budget on its programmes was permissible, at least until the publication of the Finance Bill. But the BBC still banned discussion last weekend, on the grounds that the Budget was mentioned in the motion for Monday's censure debate. The readiness with which it did so (in theory at least) suggests that it may be more ready to make the rule look ridiculous than to make the best of it.



Another puzzle set by the rule was raised in the Commons on Tuesday. Parliament knows about its coming business at most eight days ahead. MPs are told each Thursday what is to be discussed in the following week, so that on any Wednesday they do not officially know even what they are going to talk about the next Monday. But if the BBC and the ITA are to operate the 14-day rule effectively, they must always know what is happening a fortnight ahead. In theory the BBC and the ITA should not know before Parliament, but they must if they are to apply the rule. Sir Anthony's explanation of this conundrum was that anyone can be told about future business if he asks. But, as an old Leader of the House, Sir Anthony knows quite well that any backbencher who asks about business more than a week ahead is always tartly told by the Leader, "I am only announcing business for next week." It is going to be too absurd if this barrier to free speech, and to public education, has to be maintained much longer merely to save the party leaders' faces.

SHORTER NOTES

The defence programme is being delayed by strikes of aircraft workers. At the Hawker factory at Blackpool 2,000 men have been on strike for eight weeks for a compensatory bonus for night shift workers. A meeting between the local engineering employers' association and the unions appears to have been called both too late and at too short notice. It failed to find a settlement. At three Rolls-Royce factories in the west of Scotland 7,500 aircraft engine workers also came out on strike last week to try to get the management to sack a colleague who had been expelled from the union for contravening a local union agreement to limit bonus earnings; the strikers say that the man was "hogging" more than his share of overtime work. The management's attitude is that they like their workers to belong to a union, but they refuse to suspend a man who has not broken any agreement to which they are a party. So the strike continues. But at least it will not spread to the company's seven English factories, which are prepared to give moral support, but nothing more.

★

In Birmingham the strike at one of the Rover factories also failed to spread to the other five, and the strike itself collapsed this week, against the advice of local officials of their union. This is a reversal of the usual situation, but the men had more sense than to follow left-wing leaders in an area where jobs are to be had for the asking.

★

Following Mr Sandys's visit to Oxford, the city council has dropped its proposal for a road across Christ Church Meadow, and is likely to adopt instead the southerly relief route which was sketched in as a "suggested alternative" on the map published in *The Economist* of September 3rd. This seems to be very wise of it. The line of the northern relief route has also been shifted to avoid the University Parks. It is intended, when the new routes are completed, to close Magdalen Bridge to buses and heavy traffic.

Letters to the Editor

Home Truths for India

SIR—One may reasonably share your regret that Lord Home's recent address to the Indian Council of World Affairs has not been more widely publicised in India, and that certain very relevant passages appear to have been missed out of such reports as did appear. But what grounds are there for saying that "vital parts" have been "suppressed"? What evidence is there for implying that some mysterious censorship exists to place India's doctrine of neutralism beyond criticism whilst the Indian press must be free to criticise everyone else?

Those who have had to do their journalistic work on the basis of the raw material provided by internal news agencies in India know the latter's limitations only too well. The Indian Council of World Affairs corresponds to our Chatham House and its proceedings are not ordinarily open to the public. For an address by an important visiting minister there may have been some relaxation of the usual practice and, if my own fairly long experience is any guide, it would be quite on the cards that an agency reporter would miss an important passage in the speech, particularly if the Secretary of State was speaking extempore. Indeed, I would have expected that if the proceedings of Lord Home's meeting were open to the press the precaution would have been taken by the Council itself to issue an official report of his address.

Those who are concerned with Indo-British relations deplore the ill feeling which is being whipped up by the bickering of newspaper correspondents on both sides on what seem minor issues. By and large the foreign press is extremely well treated in India. Ministers and senior civil servants are much more accessible than in many other countries. I greatly doubt whether there has been an abrupt reversal of the Indian government's traditionally fair and courteous treatment of ministers or newspaper correspondents from other countries. By all independent accounts Lord Home's Delhi visit was a great success and has done nothing but good. —Yours faithfully,
London, W.2

GEOFFREY TYSON

As Far as it Goes

SIR—In accordance with Mr Butler's drive to restrict capital spending, the nationalised industries, including the Central Electricity Authority and the National Coal Board, are making their contributions. It is stated that the nationalised gas industry, by making do with older equipment, will reduce expenditure by £3 million.

Similarly, should not London Transport be directed to abandon its squandered programme of £12 million for new buses and the scrapping of the trolleybuses worth many millions? Why has London Transport disposed of hundreds of buses since the war, presumably at scrap prices, which have been bought by other cities and towns, like Belfast, where they are still running satisfactorily? London Transport now says the trolleybuses are worn out; manufacturers say they are not. Who gets these bargains at disposal prices and who pays the piper? Does the public realise that poisonous bus fumes will increase by 25 per cent if nearly 2,000 trolleybuses are replaced by diesel buses, with a corresponding increase in street noise? —Yours faithfully,
J. HANCOCK
Ealing, W.13

Restrictions and the Unregenerate

SIR—The Note in your issue of October 29th reads more into the National Union's recommendations than they can be made to contain. Mr Thorncroft declared himself undecided on the nature of the tribunal to be set up. The National Union's plea is that it should be a fully judicial one, governed by judicial principles and procedure and therefore most likely to arrive at a just decision in what must be a difficult question of fact. This plea does not seem to be an unregenerate one except on the Irishman's assumption that the accused would not be in the dock unless he were guilty. You yourself seem to have made this assumption by referring to a practice under inquiry by the tribunal as already "condemned" and to the tribunal itself as a rod for the back of the manufacturers. It is precisely this assumption which must be challenged in the interests of both justice and commonsense. —Yours faithfully,
C. F. WILLIAMS

National Union of
Manufacturers, E.C.1

Second Thoughts on Teachers' Pensions

SIR—Your Note of October 29th counsels teachers to look more favourably on their new pensions scheme, stating that "if prices rise by, say, an average of 2 or 3 per cent a year, and if teachers' salaries rise correspondingly," such and such advantages will accrue to them. The London and Cambridge index of retail prices shows an increase from 100 in 1938 to 234 in 1954, equivalent to an average of around 5 per cent

a year. The Burnham Scale applicable to four years trained graduates rose over the same period from £480 to £821, or an average of around 3½ per cent a year. Had the Burnham Scale risen correspondingly with retail price increases, the figure of £821 above would now be £1,120, and were this so, I am sure teachers would be more ready to heed your advice. —Yours faithfully,
London, N.W.3

D. H. C. AUBURN

Compromise in Capricorn

SIR—Your leader of October 22nd on East and Central Africa skirts the issue with admirable tact. Unfortunately the concept of "partnership" is not undefined. We have been told repeatedly that people of equal levels of civilisation will have equal political rights without regard to race or colour—an admirably liberal theory.

The rider is, however, added that it is much easier to educate the African than to civilise him, i.e., the natives will need many generations of contact with western culture before they become equal. Meanwhile, Dominion status cannot be withheld for long from these states: the stature of their leading statesmen like Lord Malvern and Mr Blundell alone should ensure this. But at the same time, as happened in South Africa, the advocates of racial *apartheid* are making their bid for power: Mr van Eeden has won a significant by-election on this platform in Kafue. Those are the heirs of East and Central Africa when your Liberal statesmen have passed on. And they are bound to pass, as the United Party in South Africa has done, so long as they have to outbid the crypto-Fascist groups for the support of a privileged, frightened, racial minority. The only solution seems to me the radical one—give the native an equal vote and thus make him politically powerful. Then no party which wants to survive can preach *apartheid*. Otherwise the South African story will be repeated. —Yours faithfully,
London, W.C.1

J. H. MENSAH

The Map of India

SIR—The articles entitled "The Map of India" and "Beating India's Bounds" in the October 15th and 22nd issues feature maps which show Jammu and Kashmir as an integral part of India. This is not so. Jammu and Kashmir is disputed territory and both India and Pakistan stand pledged before the United Nations to allow its people to decide their allegiance by plebiscite.

The accession decision taken by the so-called Constituent Assembly of Indian occupied Kashmir—a "packed" Assembly in no sense representative of the people—was taken in flagrant violation of India's solemn commitments. Even the Indian prime minister has said that the accession decision would not prejudice India's pledge to agree to the holding of a plebiscite. —Yours faithfully,
S. M. HAQ
Office of the High Commissioner
for Pakistan

Books & Publications

Frenchman with a Vision

THE CALL TO HONOUR: War Memoirs of General de Gaulle. Volume I, 1940-42. Collins 320 pages. 18s. Documents, 447 pages. 25s.

"MA patrie se lève," Rimbaud exclaimed, "j'aime mieux la voir assise..." General de Gaulle's lifelong cry must have been exactly the reverse. For him France was condemned to greatness and could be viewed only in terms of Greek tragedy, a conception which was his chief asset when he decided to carry on the fight despite his country's collapse. The unknown young brigadier who landed emptyhanded in England in June, 1940, did not have greatness thrust upon him, but his vision helped him to achieve it. He saw himself as the chosen instrument of his country's destiny and donned the mantle of Charlemagne as his own and as if France were still a great power.

A myth can look very different when viewed dispassionately, and General de Gaulle was treading on a dangerous frontier between the sublime and the ridiculous. There was a strange contrast between his desperate quest for a handful of French volunteers and the proud tone of his official statements. Except for its introductory chapters, dealing with the decline and fall of France, this book is mainly concerned with the lesser happenings of the war. The battles of Dakar or Bir Hakeim, however heroic, were merely minor episodes in the struggle against Hitler; Anglo-French quarrels over Syria or Madagascar were secondary events on the diplomatic front; while the "Muselier affair" was a curious squabble in the heart of a London at war. General de Gaulle managed only to set a foothold on the borders of the French Empire, but he behaved like an emperor, and as such he guarded jealously his prospective domain against encroachment from his allies.

Behind the visionary, however, stood an astute nationalist statesman. These memoirs are proof that he chose intransigence consciously. Condemned by the Vichy regime, abandoned by the North African proconsuls, weak and isolated, his only capital was France's past; he had no source of credit except its future. Ultimately the fate of his country would depend not only on the allies, but also on its own resistance, on the France, stunned by the *débâcle*, that was barely beginning to stir behind the Vichy façade. A people is sensitive in

defeat, and what seemed like the antics of a prima donna in London found an echo in France.

Other factors contributed to the growth of the Gaullist myth. The various elements that were to enter the resistance movement needed a rallying cry, and what could be better than the all-embracing slogan of "eternal France"? Their leader, as a result, was something of an enigma to the West. Some saw in this authoritarian, unbending general the stuff of which dictators are made; others, a revolutionary willing to deal with the Communists.

Symbols, however, have to fit into the pattern of social forces. This artificial unity could not survive for long once back on French soil. General de Gaulle had to identify himself with one of the various political groups or be relegated into the already overcrowded collection of French myths. Was he well equipped for the postwar task confronting him?

The introductory chapter, in which he retraces France's decline without probing deeply below the political surface, makes it appear unlikely. But one ought not to anticipate. This volume takes us only to the middle of 1942; it retraces the two dramatic years during which a stubborn leader, supported by only a handful of men, succeeded against odds in winning outside recognition and in keeping France's flag flying. At the end of the book General de Gaulle still has only 70,000 people under his command, but Russia's entry into the war and the tipping of the balance against the Axis mark the beginning of France's revival. Gaullism was now to find its troops.

Having renounced a political life, General de Gaulle is now gathering literary laurels. In this book, his description of France's fall, the superb portraits of Weygand, Reynaud, Pétain and Churchill in the hour of crisis, the rapid analyses of the military situation show his great gifts as a historian. The real measure of the writer's spell can be gauged from the fact that the reader has to pick up the accompanying volume of documents to realise that he is describing skirmishes, not battles, that his events are merely marginal episodes. In its original French General de Gaulle's prose, moulded on the classical heritage, with the clarity and concision of the eighteenth century, was hailed as masterly. Although it has inevitably lost something in transit, his memoirs are fully worthy of a place on the shelves next to Sir Winston Churchill's history of the war

Tudor Government

ENGLAND UNDER THE TUDORS. By G. R. Elton. Methuen. 504 pages. 25s.

THE work of many scholars in the last fifty years has so enlarged and revised our knowledge of sixteenth century England that this new survey, written to replace the volume by A. D. Innes in the series edited by Sir Charles Oman, is very welcome. Mr Elton has not been content to write a textbook which takes due account of the new work of others, but has attempted something very much bolder. He warns the reader that he has "gone rather farther in being up to date than may be generally liked," and this remark applies, as Mr Elton intends, to his conclusions and, as perhaps he did not intend, to his manner and sympathies. Mr Elton's central theme is what he calls "the nature of the English polity," the scope, structure and policies of government. He assigns a decisive importance to one man and one decade. Thomas Cromwell in the 1530s "founded the modern constitutional monarchy in England and organised the sovereign national state." He was the one great constructive statesman of the period, "an administrator of genius," "England's first parliamentary statesman," who adopted an enlightened social policy. Earlier Henry VII had merely made old expedients work, while Wolsey was an arrogant failure. As for the Elizabethan period, "the startling outburst of originality associated with Thomas Cromwell gave his successors quite enough to do"; and Elizabeth's ministers merely ran the new machinery in, making some conservative modifications. In all this Mr Elton is drawing on and developing the thesis advanced in his study of Cromwell's administrative reforms, published two years ago. Other scholars have recently read the evidence differently and less dramatically; and it is unfortunate that, as Mr Elton admits, he has had to ask his readers to take so much on trust, assuring them that "the evidence exists, but much of it is not the kind that can be recited here."

This volume is also "up to date" in its tough, unsentimental tone, acquired perhaps from Mr Elton's sympathy with administrators in a difficult period. He regards spiritual values as outside the competence of the historian. Of Thomas Cromwell's ruthlessness he observes that "the end does not indeed justify the means, but at least it explains and to some extent excuses it." Discussing economic and social dislocation he comments that "inflation is the natural state of mankind," adding that "the times were hard for poor people, but then they always are." His survey of literary and artistic achievement is brief and rather laboured, and perhaps this may be connected with his opinion that "few men of action ever learned their jobs or ideas from books." Even in the bibliography he is capable of equally brisk comments: "best ignored... best left unread... time that this old standard work was

superseded... obtrusive prejudices... needless flippancy."

But though his main thesis is over-dramatised and though the nature of his sympathies cut him off from much of the heroism, tragedy and achievement of the period, Mr Elton has given us a remarkably able, fair and compact account of the problems confronting government under the Tudors: economic changes and overseas expansion, political faction and war, religion and regionalism. Much nonsense is swept away, and on most controversial issues he states the problems and the difficulties clearly and fairly. In a revealing sentence Mr Elton writes: "The truer English doctrine exalted the power of government because it represented the joint will of an organic body politic." His analysis of society and government is more thoughtful and sometimes more original than one expects in a textbook; but his impatience with "political squabbles" means that his account of politics and personalities is dry and compressed.

Irish Model?

THE IRISH AND CATHOLIC POWER. By Paul Blanshard. Deutsch. 368 pages. 18s.

IN 1951, writes Mr Blanshard, "a Jesuit scholar... challenged me in effect to take the Irish Republic as a 'pilot model' for a future Catholic America. I have accepted this suggestion and here is my answer."

With all respect to challenger and challenged, the result has been a great waste of time. Mr Blanshard is entitled to frame his own definition of un-American activities and to denounce them; but there is no obvious reason why the Americans should follow the Irish model if they became a predominantly Catholic people. If it comes to that, what is the Irish model? No where does Mr Blanshard make up his mind whether things, good or bad, are as they are in Ireland because the Irish are predominantly Catholic, or because they are Irish or because this or that practice is native or inherited from British rule. As elsewhere, many things in Ireland have their roots in history and are only secondarily, if at all, the result of Roman Catholicism; others are directly due to Catholicism and appear as much among Italian, or even American, Catholics as among the Irish.

Clerical control is suggested by an impressive display of quotation and narration. As happens when any kind of control, clerical or bureaucratic, is criticised, there is the pitfall of proving too much, by ignoring the unspoken assumptions on which people organise their life. Here again, the author does not make up his mind what clerical control may be or to what ends it is directed. He seems to oscillate between regarding the Roman Catholic church in Ireland as merely an instrument of the Vatican and as a body that is virtually independent of Rome.

Mr Blanshard's details are fairly stated in the main, even if here and there

his leg has been well pulled. He does not seem to have employed well-chosen interpreters. He regards mixed marriages as a form of recruitment to Catholicism; anybody living in Ireland would tell him that it is a form which the Roman Catholic church is singularly unwillingly to use. Also, it is at the least ingenuous to cite court decisions on the custody of children of mixed marriages without adding that their principles have also been used to give custody to Protestant parents. One further example may be cited. For years the Irish government has provided free transport to school for Protestant children in areas where they are few. Anybody who has bothered to think about this arrangement might say that it is a neighbourly thing to do. Mr Blanshard's comment is that it guarantees "the social isolation of the Protestant children from the children of the community in which they lived."

Apart from its other implications, the comment suggests that Mr Blanshard is rather at sea in these matters. Segregated education was developed under the British regime because all the churches were determined to retain control of the education of their children. This is a point on which all churches in every country have taken the same stand. Most of the issues raised here are not peculiar to Ireland or Catholicism; they involve all churches anywhere and the states with which they have to deal. It is a recurrent theme in European history. Mr Blanshard notes with disapproval many things that are ultimately based on principles which Protestants in Ireland, as elsewhere, share with Catholics. A more perceptive writer might have fastened on the theme of an emergent state feeling its way towards a restatement of its relations with the churches.

Ten Years After

HIROSHIMA DIARY. By Michihiko Hachiya. Translated and edited by Warner Wells. Gollancz. 256 pages. 16s.

ON the fringe of the atomic explosion that flattened Hiroshima city stood the hospital that served the staff of the Ministry of Communications, and a few hundred yards away lived the director of the hospital, Dr Hachiya. The blast destroyed Dr Hachiya's house and injured him and his wife fairly severely; it wrecked but did not raze the hospital, which became one of the principal medical centres operating in the devastated city, the goal of a macabre procession of the injured and the dying. Dr Hachiya kept a diary of the days and weeks after the explosion, which he spent as a patient in his own hospital. This diary was later published in the medical journal of the Ministry of Communications and subsequently translated by Dr Wells, an American who arrived in Hiroshima five years after the explosion as surgical consultant to the Atomic Bomb Casualty Commission. He, in turn, spent three years after the first

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translation was made in revising and editing.

This regrettable lapse of time between the first rough translation and the final publication would seem to outweigh the advantage of publishing the English of Dr Hachiya's diary ten years to the day on which the bomb fell. For it is impossible to tell how much of the original has been lost in this lengthy editing. The value of Dr Hachiya's account lies in its first-hand authenticity; and while Japanese is one of the most difficult languages to translate, the reader is left wondering whether the diary needed quite so much polishing.

During the first few days, Dr Hachiya recorded matters common to all bomb-devastated cities in the last war; fire, devastation, dreadful injuries, heroic improvisation and the human spirit growing in proportion to the difficulties it had to meet. Only the scale of destruction was different from Coventry, Cologne or Berlin. Later, it became obvious that some injuries were not normal and the apparently unharmed began to arrive at the hospital to die without visible cause. With their apparatus destroyed, the doctors could not do much to find what these people were dying from. Patients became panically obsessed with a hunt for symptoms. When the hospital got a microscope, and began to perform crude autopsies, the nature of radiation sickness was uncovered.

The diary is more than a simple record of destruction. The inferno of fire that

followed the explosion, the absence of medical supplies, the failure of communications and the difficulty of getting assistance from the districts just beyond the reach of the bomb all underline the critical importance of civil defence in an atomic age. So much could have been avoided at Hiroshima had the administration been able to meet the strain. The second lesson is one that might be pondered by military strategists. It is that a major city could be flattened, and hundreds of thousands killed in it, without the rest of the country being aware of the scale of the disaster. Many of Dr Hachiya's friends, living relatively close to Hiroshima, told him they had no idea of what had happened; so effectively did the official bulletins play down the effects of the explosion. Such is the power of mass communication.

Legal Essays

CURRENT LEGAL PROBLEMS 1955. Edited on behalf of the Faculty of Law, University College, London, by G. W. Keeton and G. Schwarzenberger. Stevens and Sons. 247 pages. 32s. 6d.

THIS year's volume of legal essays is disappointing compared with its predecessors. In the first place, it gives the impression that it has been a bit of an effort to assemble enough current legal problems to make a book. Secondly, too many of the essays or lectures stop short when their subjects threaten to become interesting. For example, few would claim that the position of foreign sovereigns before English courts, which is the subject of an erudite contribution by Professor Hanbury, is a problem of great currency; what is of increasing importance is the sizeable company of officials of international organisations who enjoy considerable immunities. Again, Professor Keeton has written an essay on "Natural Justice in English Law" which promises to throw light on questions of individual liberty arising out of the activities of civil servants and trade unions. In view of the Government's decision to hold an inquiry into part of this subject, constructive proposals would have been helpful. Instead, Professor Keeton treads some well-worn paths and finishes with a generalisation about individual rights not being trampled on and about deprivation of livelihood with which he should have begun.

Likewise, Mr Dennis Lloyd's contribution on "Law and Public Policy" is sound as far as it goes. Rightly, he contrasts Mr Justice Macnaghten's reported statement that "I never give a decision unless I can find a case to support it" with Lord Justice Denning's iconoclastic declaration that "the truth is that [the judges] do every day make law, although it is almost heresy to say so." Unhappily, after such a promising start Mr Lloyd loses himself in the sands of the French civil code and private international law. What would have been entertaining is an analysis of the attitude of the courts over the last twenty years to claims by injured work-

men, or of the judges' exercise of discretion in favour of or against petitioners for divorce. Expressed opinions on matters of public policy are revealing enough; more illuminating are the "inarticulate major promises," which can be unearthed only by patient and laborious excavation and which in some branches of the law have done as much as legislation in the cause of change.

Professor Glanville Williams occupies most of his 24 pages with what he himself describes as the semantic aspects of the definition of crime, whereas he only hints at a subject that is crying out for analysis—the use of the machinery of the criminal law for regulating the welfare state and the economic planning of society.

Other contributions are nearer the target. Mr D. C. Holland draws a frightening picture of "Equality before the Law" as "it exists in some British colonies. There is growing disquiet in this country about the standard of British justice beyond the seas and it seems likely that before long there will be a substantial movement of public opinion asking for an inquiry and reform. In a short and well-reasoned essay Mr E. H. Scammell joins the attack on the rule which lays down that only a party to a contract may sue on it, unless the contract falls within one of the well-defined exceptions.

All twelve contributions naturally contain a great deal which is of value and interest but, while it is foolish to expect that each annual volume must be as good as the best which has gone before, the book would have gained if more of the authors had followed the pattern of Mr Holland and Mr Scammell who both deal with legal problems which are undeniably current.

Books Received

REVIEW OF INTERNATIONAL COMMODITY PROBLEMS 1954.

By the Interim Co-ordinating Committee for International Commodity Arrangements, United Nations. Distribution: Her Majesty's Stationery Office. 50 pages. 3s.

SURVEY OF WORLD IRON ORE RESOURCES: Occurrence, Appraisal and Use. Report of a Committee of Experts appointed by the Secretary-General. Department of Economic and Social Affairs, United Nations. 356 pages. 25s.

BIBLIOGRAPHY ON INCOME AND WEALTH: Volume V 1952.

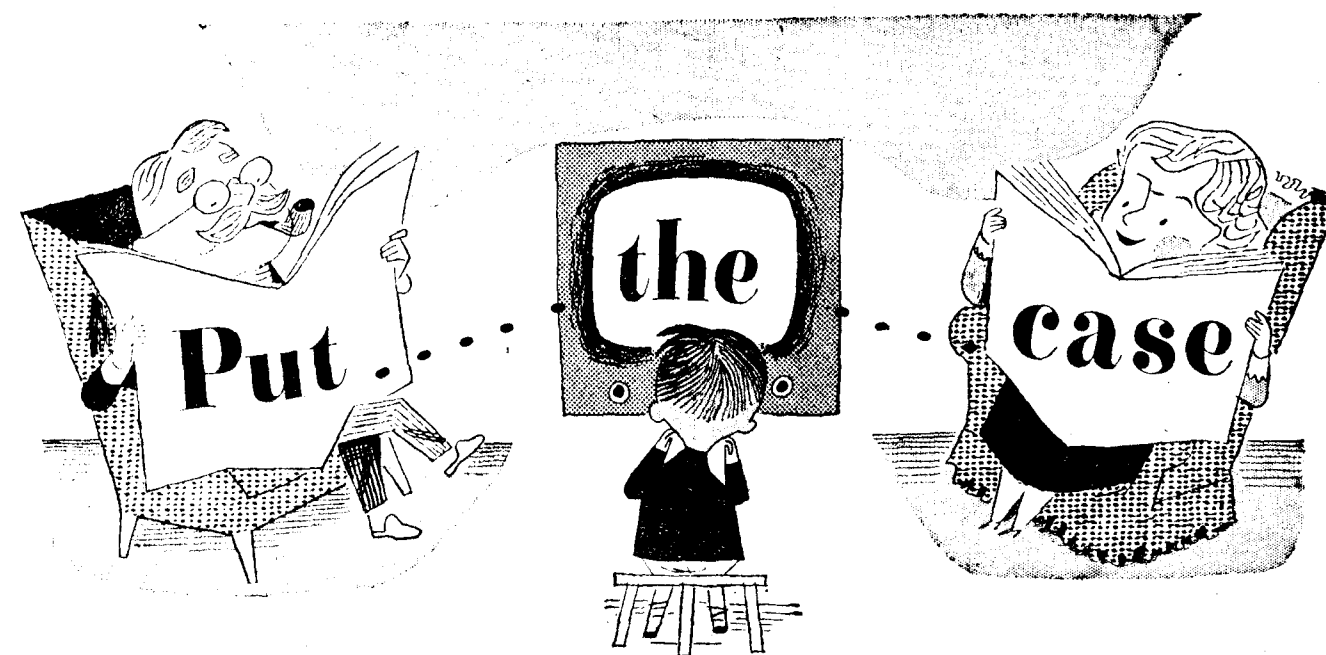
Edited by Phyllis Deane. International Association for Research in Income and Wealth. Bowes and Bowes. 80 pages. 37s. 6d.

PROGRESS IN CARGO HANDLING: Papers read at the General Technical Conference of the International Cargo Handling Co-ordination Association, Naples, 1954. Iliffe and Sons. 342 pages. 50s.

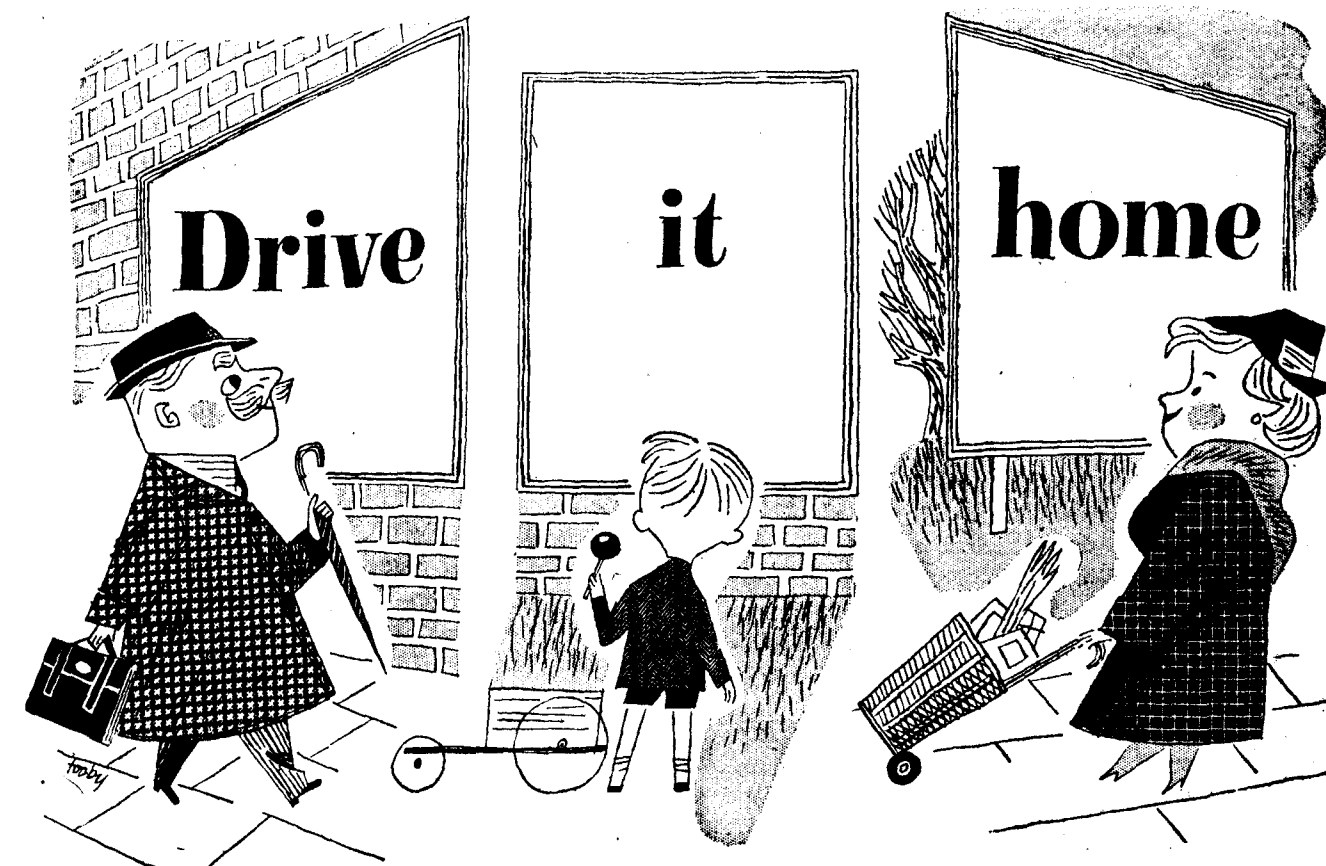
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Kelly's Directories and Iliffe and Sons for The Canadian Association of British Manufacturers and Agencies. 763 pages. 42s.

THE STATESMAN'S YEAR-BOOK 1955. Edited by S. H. Steinberg. Macmillan. 1,644 pages. 42s.



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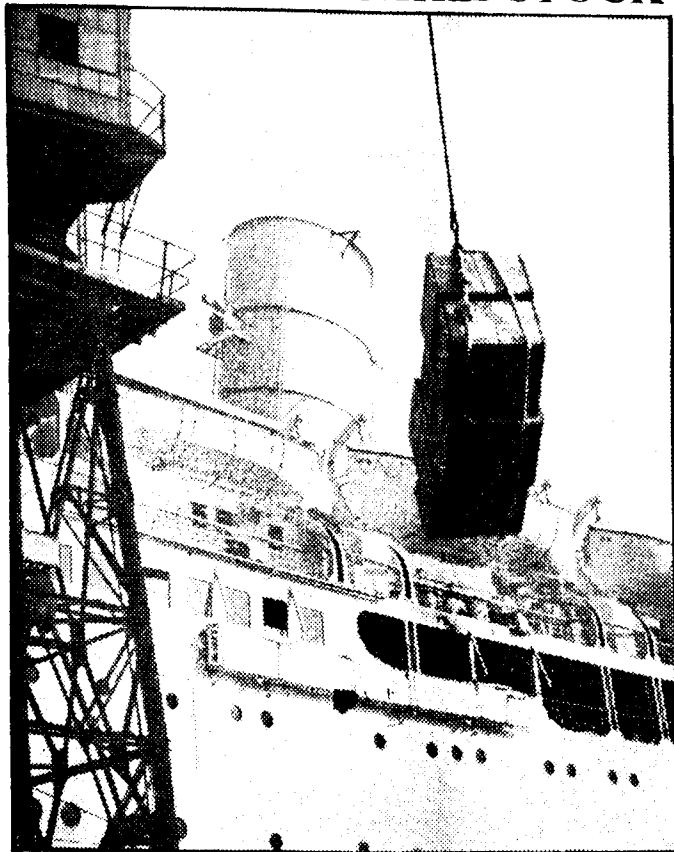
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American Survey

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Bread on Foreign Waters

Washington, D.C.

NOTES delivered to the State Department will not resolve the "recurrent uncertainties" about America's farm export policy which were the subject of a recent lament by the President of the Board of Trade. The only sure way of ending them would be for the United States to dump its vast agricultural surpluses on the world market and watch the bottom fall out. This it will assuredly not do, despite formidable pressures from farm interests at home, and much of the uncertainty arises precisely because the American government is seeking devices whereby to run a bargain sale without actually cheating.

American policy has been greatly and, on the whole, fortunately inhibited by the evil sound of the word "dumping." By invoking it, successive Administrations have been able to quell congressional urges to set up a two-price system for current farm production in place of the present method of supporting basic commodities. This has been partly because there have been enough members of Congress with a care for America's international reputation, partly because such farsightedness has coincided with powerful domestic interests. If, for instance, subsidies only went to that portion of the wheat crop allotted for human consumption at home, American producers of other feed grains would feel the unwelcome blast of competition as strongly as foreign growers of wheat. Similarly with cotton; not only do many of the domestic producers fear that their total income would fall still further if the export price was allowed to find its own level on the world market, but the textile industry does not relish having its prices undercut by imports made from cheap American cotton.

But the unmanageable stocks which the government at present holds are another matter. The Commodity Credit Corporation is not obliged by law to offer its surpluses on the world market at the same fixed minimum prices which effectively keep them from competing with producers at home. Until recently, however, and for a variety of reasons, it has kept the same price for both markets—and has consequently been priced out of both. Wheat has been an exception, since what is in effect an export subsidy is in this case given a colour of respectability by the mechanism of the international wheat agreement.

Over the last eighteen months, this policy has been modified, in a rather piecemeal fashion, but with certain discernible patterns. The central machinery for handling the problem of getting rid of the farm surpluses has been greatly strengthened. There is now an effective operating committee, on which representatives of the different government

departments concerned have become accustomed to working together; above it there is a high-level policy committee, headed by Mr Clarence Francis, a part-time assistant to the President. Moreover, since the beginning of September, the Department of Agriculture has had an experienced sales manager, whose main job it is to seek out fresh markets for American farm products. As a result a new atmosphere of bustle is apparent.

The changes should not be exaggerated. There is still great emphasis on the importance of doing nothing that will undermine American foreign policy. There is still insistence that the United States wants only its "fair share" of the world's agricultural market and will scrupulously avoid using its great economic power to depress prices. But there is a much stronger feeling that no one will give Americans their "fair share" unless they go out and get it. As it is impossible, furthermore, to find a precise measure of a "fair share," the American government must retain its complete freedom of action to make its own definition in individual cases.

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The Administration insists that there is no dumping and will be none, but its definition of dumping (when exports of farm products are in question) is selling below the prevailing world price in such quantities as to force it down. It does not accept the idea that to be respectable it may not sell below the American supported price. A special difficulty arises over cotton. The world's total acreage remains about the same as it was twenty years ago, but American growers have been forced to cut back their acreage while in other countries it has been rising. In particular, it has been rising rapidly in Mexico and Brazil, whither large American merchants, who disapproved of the domestic support system, have transferred much of their operations. With world trade in cotton stabilised, the United States has gradually become the residual supplier. This has been underlined by recent figures: total farm exports have gone up by 20 per cent over the third quarter of 1954, whereas the value of cotton exports has decreased by 65 per cent. Mr Benson, the Secretary of Agriculture, has, therefore, decided to make a trial in January of selling by "competitive bid." It is typical of the tentative nature of this "aggressive" policy that only a million bales of low-grade cotton will go under the auctioneer's hammer.

Together with the determination to be a little less sensitive to each and every cry of "foul" from abroad has gone

a shift of emphasis from the sale of farm products for local foreign currencies to the sale for dollars. The Department of Agriculture's sales manager has a veto over any deal with a country for its currency if he thinks he can make the same sale for dollars and, armed with the agricultural attaché's reports, he can carry the argument on to the State Department's own ground when it comes to deciding what a foreign purchaser can afford to pay. This does not mean, however, that aid is being abandoned for trade. This is simply the one form of economic aid that is thoroughly popular in Congress.

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A second method of exporting surpluses is provided by a special law under which more than a billion dollars' worth of commodities can be sold to foreign countries for their own currency over a three-year period. The law insists that such sales must be in addition to normal trade. This is obviously difficult to define, but precautions are taken. Market studies are made, the State Department has an opportunity to bring its objections, and, if necessary—as in the case of a rice deal with Japan, which seemed likely to upset Burma and Siam—before the President. Much to the Department of Agriculture's disgust, moreover, rival suppliers are warned just ahead of time. The foreign currency that is obtained is available for a host of purposes, one of which is the holding of exhibitions and the financing of advertising campaigns to build up American farm exports.

It is quite certain that when Congress resumes its sessions in January, the pressure for pushing American bread and cotton on to foreign waters more rapidly will be hard to resist. While there is every reason to believe that President Eisenhower would veto a Bill that ran a serious danger of embarrassing his foreign policy, there is no doubt that the issue of surpluses will be handled energetically. It has already proved a godsend to the Democrats and promises to be one of the crucial issues of the 1956 elections.

The Cost of Defence

AMONG the problems brought most urgently to President Eisenhower's attention during his convalescence have been the conflicting interests of a Treasury intent on balancing the Budget and of a Department of Defence confronted with the rising cost of modern weapons and an expanding Soviet arsenal. The issues involved are, keenly political: the Administration knows that a failure to fulfil its promise of a balanced Budget or demonstrable shortcomings in the defence programme would provide the Democrats with excellent campaign material. Moreover, the high policy decisions involved in cutting the armed forces can be taken only by the President. Consequently, Mr George Humphrey, Secretary of the Treasury, and Mr Charles Wilson, Secretary of Defence, have avoided a major debate and appear to have worked out a compromise solution along general lines approved by the President.

When indicating last summer that a balanced Budget was in sight, Mr Humphrey urged all government departments to cut their spending by some 3 per cent. This would have

meant a reduction of \$1 billion by the Pentagon. With the Geneva spirit in full swing and a confident President at the helm, such a move seemed possible and there were numerous rumours of cut-backs in all the armed services. Challenged by Democratic leaders in Congress, Mr Wilson gave the assurance that national security would never be sacrificed to fiscal balance and indicated that he was merely examining possible economies at the Treasury's request. The result, announced on October 18th, was a decision to trim defence spending by only \$500 million; this means that next year's estimated defence expenditures would remain at the present annual level of \$34.5 billion. The intended saving would be obtained by a 6 per cent reduction in the Defence Department's civilian staff, and by careful scrutiny of various procurement plans. The armed forces—now numbering some 2,850,000 men—will not be materially reduced.

At present, however, the armed services are preparing their own detailed estimates and when they are submitted to Mr Wilson he may find it difficult to stay within his intended budget. The air force is deeply concerned over recent revelations of the number of Russian long-range bombers and is urging rapid expansion in the production of B-52s—each of which costs \$8 million. The navy wants an atomic-powered aircraft carrier, costing some \$300 million, and a construction programme for nine nuclear submarines each year. The army demands more men to implement President Eisenhower's reserve training scheme. Whether economy or defence will weigh more heavily in the President's mind obviously depends on future Russian policies.

Dykes Against Oil

LAST week, Mr Arthur Flemming, Director of Defence Mobilisation, instructed American oil companies to reduce their imports of crude oil—from areas other than Canada and Venezuela—by some 7 per cent. This reduction, amounting to about 25,000 barrels daily, will bring imports for 1955 into line with a formula recommended last February by a special Cabinet committee; this group had decided that future imports of crude oil into the United States should bear approximately the same relation to domestic production as existed in 1954. Mr Flemming is basing his request on a provision incorporated by Congress into the Trade Agreements Extension Act of 1955; under its terms, a domestic producer can appeal to the Office of Defence Mobilisation if he feels that imports are threatening the level of domestic production and productive capacity essential to national defence.

This pious formula and the recommendation of the Cabinet Committee on Energy Supplies and Resources Policy, thinly disguise a case of the perennial conflict between the Administration's overt commitment to free trade and the realities of home politics. As soon as the trade Bill had been passed, domestic producers and nearly 30 Senators from states that produce oil and coal brought pressure to bear on the ODM. Early in September, Mr Flemming asked 18 major oil companies to work out voluntary restrictions on their imports. Several of them pointed out that the domestic oil industry was booming, that coal exports in



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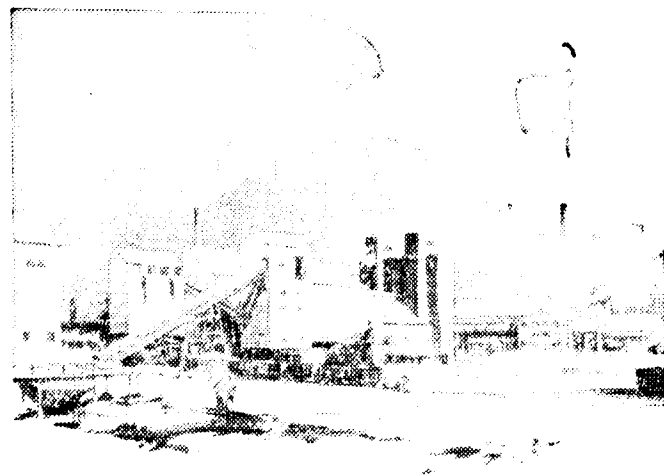
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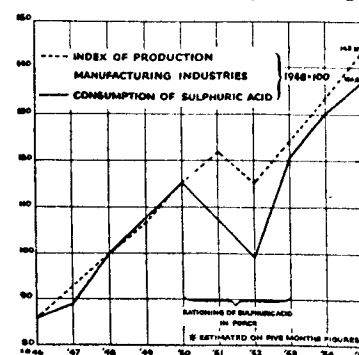
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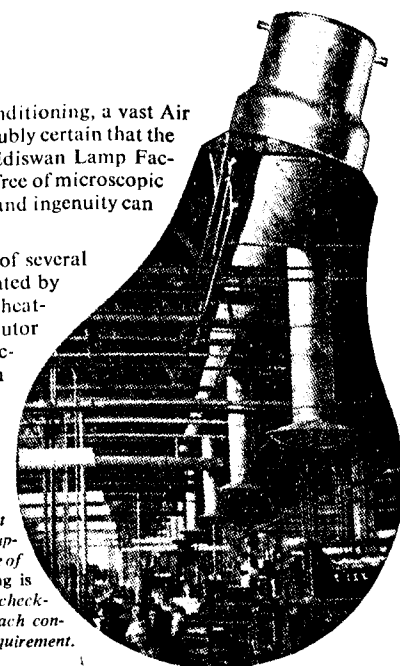
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the first seven months of 1955 exceeded the previous year by 63 per cent, and that restrictions on the import of crude oil would impose higher prices on the consumer and be contrary to American interests in the Middle East.

In the absence of a voluntary response by oil importers, the ODM decided to work out its own formula. In doing so, it had to solve complex technical problems posed by the wish of domestic producers not to reduce imports of residual oil, by the need to maintain the flow of Canadian oil into the new refineries of the Pacific Northwest, and by the necessity of avoiding the kind of concerted action by the oil companies that would expose them to anti-monopoly legislation. Mr Flemming has announced that he would ask for systematic reports from the oil companies concerned within the next ten days. If they still refuse to accept voluntary restrictions, he can ask the President to impose quotas. Whether Mr Eisenhower will be prepared to do so is not certain.

The Coming of the Robots

A RECENT radio poll in Detroit discovered that next to Russia what frightened people most was automation. On Friday of last week, a subcommittee of Congress ended hearings designed to find out "what, if anything" the government should do to prepare for what many observers believe will be the second industrial revolution. Among the witnesses heard were youthful "automation consultants" and engineers, industrialists, labour leaders and Mr Mitchell, the Secretary of Labour. Their testimony was often conflicting, but nearly all agreed that the substitution of electronic devices for human beings in industrial operations would pose important political, economic and social problems.

For American labour, particularly in its more enlightened moods, automation is a crucial dilemma. Local unemployment and the obsolescence of traditional skills are bound to come with the age of electronic factories. Labour leaders realise, moreover, that their own wage claims are forcing industry to put a high premium on every kind of labour-saving device. Simultaneously, however, union chiefs, such as Mr Walter Reuther, know that automation is inevitable and are seeking to approach it with the sympathetic attitude towards technological improvement that has paid organised labour such good dividends in the past. What they are seeking to do is to assure labour's rightful share in any increase in productivity and to educate both the government and employers to the economic and human responsibilities that will come with the new industrial age. Labour's programme includes various forms of guaranteed unemployment compensation, a shorter work week—probably 30 hours—and schemes to retrain workers.

Industrialists, on the other hand, tend to soft-pedal the whole issue of unemployment, claiming that automation is a logical extension of mechanisation and that it would create more jobs than it would take away. Appropriately, Mr Mitchell took a middle view, recognising that the transition to new forms of production would involve hardships but asserting that automation ultimately meant a higher standard of living and far more leisure for everyone. Congress will probably feel that it is still too early

to take specific action on automation, but any signs of a slump or of a rise in unemployment could make this complex issue a ground of bitter political contention.

Print to Fit the News

New York

THE expectation of a general increase of at least \$4 a ton in the price of newsprint has prompted American newspaper publishers to condemn the Canadian producers who have initiated the higher prices, and Sir Eric Bowater who first suggested three weeks ago that an increase might be justified. In the ensuing battle of words the only topic left untouched has been the basic economics of the newsprint industry.

The publishers, pointing to the recent rise in the earnings of newsprint producers (five major Canadian firms are earning nearly 22 per cent more than last year) as con-

PRODUCTION OF NEWSPRINT ('000 tons)

	1950	1951	1952	1953	1954	1955 Jan. to Sept.
Canada :—						
Capacity	5,227	5,360	5,545	5,723	5,920	...
Production	5,279	5,516	5,687	5,721	5,984	4,590
USA :—						
Capacity	992	1,050	1,165	1,170	1,280	...
Production	1,013	1,108	1,147	1,083	1,211	1,121

AMERICA'S USE OF NEWSPRINT ('000 tons)

	1950	1951	1952	1953	1954	1955 Jan. to Sept.
Domestic production ..	1,013	1,108	1,147	1,083	1,211	1,121
Imports from Canada ..	4,690	4,756	4,850	4,841	4,864	...
Other imports :—						
Europe	171	206	183	164	128	...
Exports	44	71	105	47	140	...
Consumption	5,937	5,975	5,988	6,143	6,163	4,849

Source : The Newsprint Association of Canada and American Newspaper Publishers' Association.

trasted with the much less profitable record of the newspapers, claim that dearer newsprint will put some of the weaker papers out of business. In reply, the producers point to the rise in labour costs that has taken place since the price of newsprint was last raised in 1952, and claim that higher prices are essential to finance plant expansions. But the price of newsprint is not based on considerations of equity, nor is it determined solely by costs of production. Like any other commodity newsprint must bow to the law of supply and demand. And, as the existing "grey market" in the United States shows, demand there exceeds supply.

There is in the United States a perennial temptation to accuse the Canadian producers, who supply 80 per cent of the newsprint used in American newspapers, of conspiring to restrict production and raise prices. On this occasion,

Democrats and Republicans alike have been unanimous in demanding somewhat unspecified action from Washington. But Canadian mills have been operating above rated capacity for some time, and it is understandable that they cannot risk expanding until they are satisfied that the increase in the demand for newsprint is permanent. The postwar expansion of the North American industry, on the other hand, hardly indicates a conspiracy to restrict output.

What is questionable, however, is whether a policy of equating demand and supply in the short run by "charging what the traffic will bear" is in the long-term interests of the newsprint producers themselves. While it is unlikely that the proposed price increases will send a significant number of newspapers to the wall, it is true that, in the face of competition from television, press advertising—which accounts for nearly 60 per cent of all newsprint consumption in the United States—has become acutely sensitive to any rise in rates. And there is also no doubt that the Canadian price increases, even if they are followed by the American mills, will provide a strong incentive to increase production capacity in the United States. In some other industries, notably the oil industry, the leading firms have "held the line" on prices and foregone short-term profits during periods of shortage in the hope of assuring a steady increase in consumption over a longer period. The newsprint industry might be well advised to take a leaf from the same book. In view of its favourable earnings, it is well placed to do so.

History Today

BITTER debates about the interpretation of recent history are a traditional feature of American politics. There is, at present, every indication that this will hold true for the 1956 election campaigns. The fact that many of the protagonists in the most controversial postwar events are alive and eager to publish will make the politicians' use of history all the more dramatic.

General MacArthur has been first in the field. In a book entitled "MacArthur's Rendezvous with History," written by one of his most loyal associates, the General argues that President Roosevelt's Administration thwarted his efforts in the Pacific, handed Asia to Communism against the General's foresight and advice and nearly wrecked his efforts to keep Russia out of Japan. The MacArthur version of the Korean war, moreover, is that Democratic weakness, aggravated by internal subversion and British intrigue, prevented him from defeating the Chinese and uniting a free Korea. Although the brunt of General MacArthur's charges falls on the Democrats, the present State Department chose truth above politics and promptly published papers showing that the General had constantly urged Russian intervention in the war against Japan.

An even more telling reply is awaited from Mr. Truman, whose fascinating memoirs, now being serialised, are expected to show a different view of General MacArthur's conduct. Mr. Truman, moreover, is refreshing the memories of his readers about his own achievements in foreign policy and about his decisive role in bringing General Eisenhower to the fore. Above all, the Democrats are seeking to show that the picture of a deliberate

"sell-out" at Yalta and of a State Department undermined by fellow-travellers is a figment of the Republican imagination. Mr. Acheson, after a long-suffering silence, is publishing a book, "A Democrat Looks at His Party." In it he seeks to show that what is good in President Eisenhower's foreign policy is a continuation of the Truman-Acheson doctrine, and that what is bad results directly from a Republican hostility to intellect, from Mr. Dulles's heavy-handedness, and from the adoption of such unrealistic slogans as "massive retaliation."

But the Republicans also are seeking aid and comfort from the recent past. During his long service as Secretary of the Treasury, Mr. Henry Morgenthau, Jr., kept a diary which ran to some 900 volumes. In it there are bound to be numerous references to his assistant, Mr. Harry Dexter White, who was cited shortly before his sudden death as guilty of espionage for the Soviet Union. Under congressional pressure, the General Services Administration, which has control over the diary, may be forced to publish parts of it. Republicans are hoping for revelations about "the mess in Democratic Washington."

Too Many Tins

FROM A CORRESPONDENT IN CALIFORNIA

TWO years of poor crops for many of the footstuffs which go into tins have at last brought the canned goods industry the much-needed benefit of higher prices. Widespread disease in the orchards in 1954 and heavy frosts early this season have helped reduce supplies of canned fruits to their lowest level since the war. Crops of peas and tomatoes—the two major canning vegetables—have been similarly below average; the tomato fields in the eastern states were devastated by the recent hurricanes just before harvest time. Although there is not a serious scarcity of tinned fruits and vegetables, the large grocery chains are offering higher prices to canners—for the first time in five years—in order to assure themselves of adequate stocks.

The postwar experience of the canned goods industry has not been an altogether happy one. A growth in population and a rise in individual consumption have steadily increased the sales, but profit margins have dwindled as increased costs have outstripped prices. Although canners point out, usually with some pride, that retail prices for canned goods have risen by only 30 per cent since 1945, against a 60 per cent rise for foodstuffs generally, it has not been virtuous restraint that has kept their prices low. The increasingly popular frozen foods and pre-cooked preparations are competing with canned goods by rivalling their convenience and offering alternatives should their prices prove too high. But, until this year, the chief restraint on canned food prices has been the abundance of canned goods themselves.

In an increasingly centralised economy, the canning industry continues to consist of a large number of independent firms. In buying from farmers and in selling to distributors, canneries engage in a degree of price competition between themselves which is unusual, if not entirely unknown, in many major industries. Particularly on the Pacific Coast, where half of America's canned food is packed, they are confronted by strong farmers' marketing organisations

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WEYROC

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WEYROC Man-made Timber was introduced by The Airscrew Company & Jicwood Limited in 1945 and has been made for 10 years from wood chips (waste from timber-mills) at Weybridge in Surrey. In this time Weyroc has completely established itself alongside the traditional forms of timber. New 'Gold Label' Weyroc carries the story a stage further.

The opening of the new £400,000 factory at Annan—the first of its kind in Britain—has local, national and international importance. Almost fully automatic, this plant not only provides new employment for the district concerned and a productive outlet for waste Scottish Timbers, but helps save Britain importing expensive 'dollar' timber.

Since the introduction of Weyroc over 70 million sq. ft. of it have been sold and employed in building schemes of all kinds. The housing drive has been substantially assisted: more and more natural timber has been released for main structural requirements. And, because of its uniform quality and large size, Weyroc has given rise to new labour-saving and money-saving techniques in many industries. Now, with the opening of the Annan factory and the production of 'Gold Label' Weyroc, there are many new and varied industrial possibilities for this high-precision board.

The full range of Weyroc boards, now in production at Weybridge and Annan, includes:
Blue Label Weyroc (45 lbs. density) Plain, Plastic-surfaced and veneered in 1" and 2" thicknesses.
Gold Label Weyroc (35 lbs. density) Plain in 1" and 2" thicknesses.
Weydec and Hardec—balanced boards with decorative plastic surfaces.



'Till
Birnam Wood
do come
to Dunsinane'
MACBETH ACT V

- The 'leafy boughs' of Scottish forests are once more being put to good use. 'Thinnings' (timber up to the thickness of a man's arm) have until now, been wasted. But, with the opening of the Company's new factory at Annan, this waste material will be turned into an improved form of Weyroc Man-made Timber, to be known as Weyroc Gold Label. The improvements gained by using forest thinnings as the source of raw material in this, the most modern chipboard factory in the world, are substantial and of particular importance both to the Building and Furniture trades.
- A board with precise characteristics and more precise dimensions, Gold Label Weyroc possesses these advantages:
- higher strength characteristics • precision • easier working
- perfect surface for veneering of highest quality

which can exert more bargaining pressure than the individual canner. In selling, they are now faced with the relatively few buyers for the giant grocery-store chains, who can demand low prices as a condition for their large-scale purchases. Moreover, canners have been forced to assume in the last few years almost the entire risk and expense of holding large inventories. Where once a grocer bought enough canned foods to last him a year, buyers today "order" but do not actually buy until they need the goods. As a result, canneries borrow to finance inventories, and offer discounts to encourage buyers to take early delivery.

The growth of supermarkets has maximised the demand for canned goods; since profit margins are lower there, turnover must be rapid. Canners, eager to employ as fully as possible their large investments in plant and equipment which are used only seasonally, over-reach themselves to meet this condition. Expanded production, which should reduce per-unit costs and raise total profits, has instead merely depressed prices. Until this year's fortuitous curtailment, production of tinned goods has regularly been in excess of total sales.

The modernisation of canning plants and the introduction of labour-saving devices has been restrained by the difficulty of attracting capital to an industry that already borrows heavily in its operations and which has in recent years had net profits of less than 3 per cent. Many canners are trying, with some success, to re-enter the European markets to which they sent a substantial portion of their output in prewar years. The National Canners Association and individual companies are now hoping to find abroad an answer to their problems.

Civil Rights in the Northwest

FROM A CORRESPONDENT IN OREGON

ALL over the United States, and particularly in the Far West, the Negro, the Mexican, the American Indian and other dark-skinned minorities are winning rights and privileges long denied them. Legislation opening thousands of restaurants, hotels and places of entertainment to "non-Caucasians" and assuring them against racial discrimination has been passed in a number of states. Its impact has not been so dramatic as the Supreme Court's famous ruling on segregation in schools, but these laws and the change in public attitude which they have helped create are no less significant.

Two direct consequences of the Japanese attack on Pearl

Harbour brought on a change in the pattern of racial relationships in the Pacific Northwest. One was the summary evacuation from their Pacific Coast homes of thousands of Japanese-Americans. The postwar reaction to this "security" measure took the form of public sympathy for the dispossessed Japanese, a sentiment that embraced other non-white residents. A second consequence of the war was the sudden and enormous growth of the shipbuilding industry in the region. Entire trainloads of unskilled workers, a large percentage of them Negroes, moved from the Atlantic seaboard to Portland, Oregon, to man the new shipyards, and the city, which had a stable population of about 2,000 Negroes, found itself in a few months with more than ten times that many. With this influx came an awareness of racial discrimination and the growth of agitation against it. Both the Oregon and Washington Legislatures passed Fair Employment Practices Acts, outlawing racial discrimination in hiring, and civil rights laws, making it illegal for hotels or places of public entertainment to refuse service to anyone because of race, colour or religion.

Many Oregon citizens, while disapproving of racial segregation and discrimination, felt that laws forbidding them would merely inflame prejudice and make for greater friction. These fears have proved groundless. Oregon's Act has won such wide public acceptance that, in the six years since it was passed, there has been only one occasion on which the authorities have had to go to court. This legislation, moreover, has created countless new job opportunities for non-whites. A Negro has been appointed assistant commissioner in the Oregon State Department of Labour; Negroes teach college classes, drive buses for the Portland Traction Company and work on the editorial staffs of the city's daily newspapers. Public opinion in Oregon has been transformed on the whole issue of discrimination. In 1950, citizens of Portland voted 76,444 to 61,058 against a municipal civil rights law after a spirited campaign. But less than three years later, opponents of the law adopted by the State Legislature could gather only 11,000 signatures in a vain attempt to obtain a public referendum.

★

But when it comes to housing, there is still room for improvement. The bulk of Portland's Negro population is concentrated in one sector of the city which displays the classic combination of inferior accommodations and high rents. During the past year the Urban League has been engaged in an extensive study of the effect on property values caused by the introduction of a non-white resident into a neighbourhood. Its bulletin states:

"The ghettos—the areas of non-white concentration—have continued to expand. . . . But there are some positive developments worth reporting. Now and then it has come to our attention that a non-white family has been able to move into a home outside the ghettos. In only one instance was a furore raised, and this proved an excellent opportunity for community education."

Oregon still has its problems in racial relationships. But many have been solved, and others are on the way to solution. Oregon's progress is especially significant, for it was this state that, in 1859, wrote into its Constitution a celebrated article excluding from its territory all Negroes, whether slave or free. This provision was never enforced, but it was repealed only recently.

The World Overseas

Mr Sharett's Mission

FROM OUR CORRESPONDENT IN TEL AVIV

THERE is at present in the Knesset in Jerusalem no majority for a preventive war. This is the most important fact to be noted in the present tense political scene in Israel and in the very dangerous situation along its frontiers.

The only party which has come out forcibly and unequivocally for a preventive war is, of course, Heruth, always "activist" and scornful of methods other than those of the mailed fist. Heruth enjoys today a much stronger position in Parliament than it did before the elections last July which made the party the second strongest in the House. But Heruth has until now been unable to attract partners or satellites in the Knesset. The General Zionists appear to have changed the guarded, rather anti-activist attitude which they retained when still in the cabinet to one more in sympathy with that of the extremists. But they might veer round again. The Labour parties, Mapai, Mapam and Achduth Avodah follow Mr Sharett's lead which, while calling for arms, will first try every political expedient before resorting to war. So does the religious bloc. The small Communist party is, of course, as busy as ever in following the Moscow line.

The majority in the Knesset for Mr Sharett's line does not mean that the thinking of Heruth is confined to its own ranks. In the debate on foreign policy two weeks ago a speaker from the Mapai party who was the chairman of the foreign policy committee in the last Knesset attracted notice by advocating preventive war. The same speaker followed this up with an appearance at a public meeting in Tel Aviv, at which he appealed to world Jewry to send a hundred thousand young people to Israel to help defend the country.

The arguments for immediate action offered by Heruth are simple in their deceptiveness. In a year or two, it is said, Egypt will be much stronger than it is today; and when the Egyptian army has mastered the use of modern weapons which are reaching Alexandria in considerable quantities, it will attack Israel. The Egyptians have until now obstinately refused to make peace, to arrive at a settlement of the thorny border problems or to lift the blockade. It would be suicidal for Israel to miss its opportunity now when its army is still superior, its morale high and its organisation well-knit.

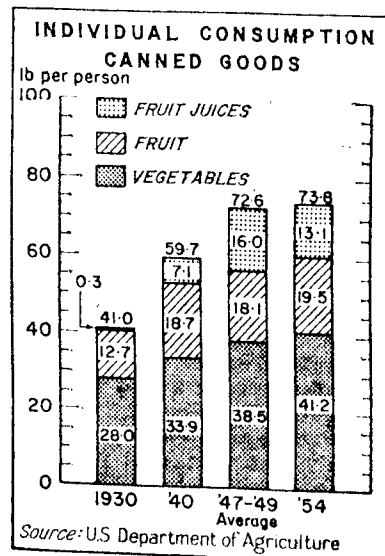
This sort of appeal is strong, especially in the tense atmosphere of Israel today. The advocates of a more prudent policy have a difficult task. They have to try to show that war, although possible, is by no means inevit-

able; that in any case every other possible means must be used before the final grave decision is taken. But their main argument today is the complete change which has occurred in the Middle Eastern scene with the appearance of the Russians. It is understood in Israel—albeit slowly—that the supply of arms from the Communist bloc to Egypt and probably to some other of the Arab states involves the work of experts and technicians from Communist countries among the Arab armies and that the entrance of the Russians into the region gives the Israel-Arab conflict a global significance. Thoughtful Israeli observers realise that a conflict between Israel and Egypt might well now not be isolated.

Since this sort of argument is much more involved than that of Heruth, it does not penetrate easily to the masses. What is more, it runs counter to emotions which are already thoroughly aroused. Israel has always had a leaning to what may be called isolationism. The long years of frontier friction have made people familiar with the idea of an endless small war which could flare up easily all along the long borders. The public has become accustomed to the thought that the nation may have to stand alone in danger, and that the western powers would not go out of their way to redress the balance once it was weighted in favour of the Arabs.

These feelings are today more intense than ever. The appeal for gifts to buy arms is being met with alacrity and enthusiasm by people from all walks of life. Patriotic feelings, always strong, are being raised to fever-pitch. Life in the towns goes on as usual, with packed theatres, concerts and cinemas, and an innocent observer would not detect anything unusual in the crowded streets with their neon signs. But people closely follow the border-raids, and are well aware that one of them may turn out to be not just one more link in a chain of guerilla affrays but the beginning of the real thing.

It is against this tense background that the mission of Mr Sharett to Paris and Geneva must be understood. Mr Sharett made his dramatic move in order to explain Israel's position to the Powers. If he should come back empty handed, without a promise either to give arms to Israel or without the prospect of a stronger and better guarantee for its borders or a security treaty, the repercussions in the country will be serious. If he can report to Parliament that Israel can reasonably hope to retain its place in the changed Middle East situation he will be



able to strengthen the prudent elements. Otherwise emotions and extremists might well carry the day.

Mr Sharett went to Geneva as the head of a caretaker-government. The formation of a new cabinet has taken even more time than observers predicted. When the elections in July brought about the rise of Heruth, the defeat of the General Zionists and the decline of Mapai, it became obvious that it would be difficult to form a cabinet. Mr Ben-Gurion tried at first to form a "broad coalition" including all the parties except Heruth and the Communists. He failed conspicuously, and veered to a five-party labour coalition; but difficulties that arose over the division of portfolios were unresolved when the third Knesset met, so that Mr Sharett remained in office.

This week, under the pressures already described, the five-party arrangement has come into being. A cabinet of sixteen, comprising nine ministers from Mapai, two each from the left wing parties Achduth Avoda and Mapam, two from the orthodox Hapoe/Hamisrahi group and one from the centre party Progressives is likely to command 80 out of 120 votes. But the inclination to form a broader coalition is not dead; its survival is helped by the feeling of national emergency which demands a cabinet based on as much popular support as possible. The General Zionists, who until recently held back from coalition talks, now advocate a cabinet which would include all parties, even Heruth, leaving out only the Communists. Though this call may meet with no immediate response it may well prove to be a straw in the wind. A narrow coalition could be reshuffled after a few months to allow the inclusion at least of the General Zionists; Heruth will probably be reluctant to renounce its new advantage as the biggest opposition party.

Should prudence prevail, a flare-up be prevented and Mr Sharett come back with some sort of achievement, the political scene in Israel will still not be the same as before his dash to Geneva. The last weeks have brought about the complete acceptance of activism, that is, retaliation for infiltration and frontier violations by military raids. And these raids have step by step gained in extent and intensity. This development is taken in Israel as a matter of course, but it is dangerous. Bigger and bigger raids tend to become a small war which could imperceptibly change character. Some day it might easily progress beyond the point of no return.

Norway Remembers Quisling

HARD memories linger long in the Norwegian climate. The fall from office last week of the young and brilliant Minister of Justice, Hr Jens Hauge, was brought about by the refusal of a majority of Norwegian MPs, including some members of Hr Hauge's own Labour party, to forget the record of 183 civil servants who had been Nazi sympathisers during the war. In common with about 100,000 other Norwegians, these men had been members of *Nasjonal Samling* (NS), the pro-German party of Hr Quisling, and were suspended from duty for a time after the war. They have since been claiming compensation for the salaries they lost during that period on the grounds that they had resigned from *Nasjonal Samling* before the

Norwegian government—in exile in Britain—passed its law on collaboration in 1944.

The Supreme Court approved their claim, and Hr Hauge recommended that back-pay be allowed to them; but his recommendation was rejected in the *Storting* by a fairly substantial majority which must have included some members of the usually well-drilled Norwegian Labour party. There does not seem to be any doubt that the men had in fact resigned before the date in question, but Hr Hauge's parliamentary critics suggested that the matter was so old that the claims ought to be held to have lapsed. This argument had a somewhat legalistic air, especially in view of the slowness of earlier proceedings to deal with the claims.

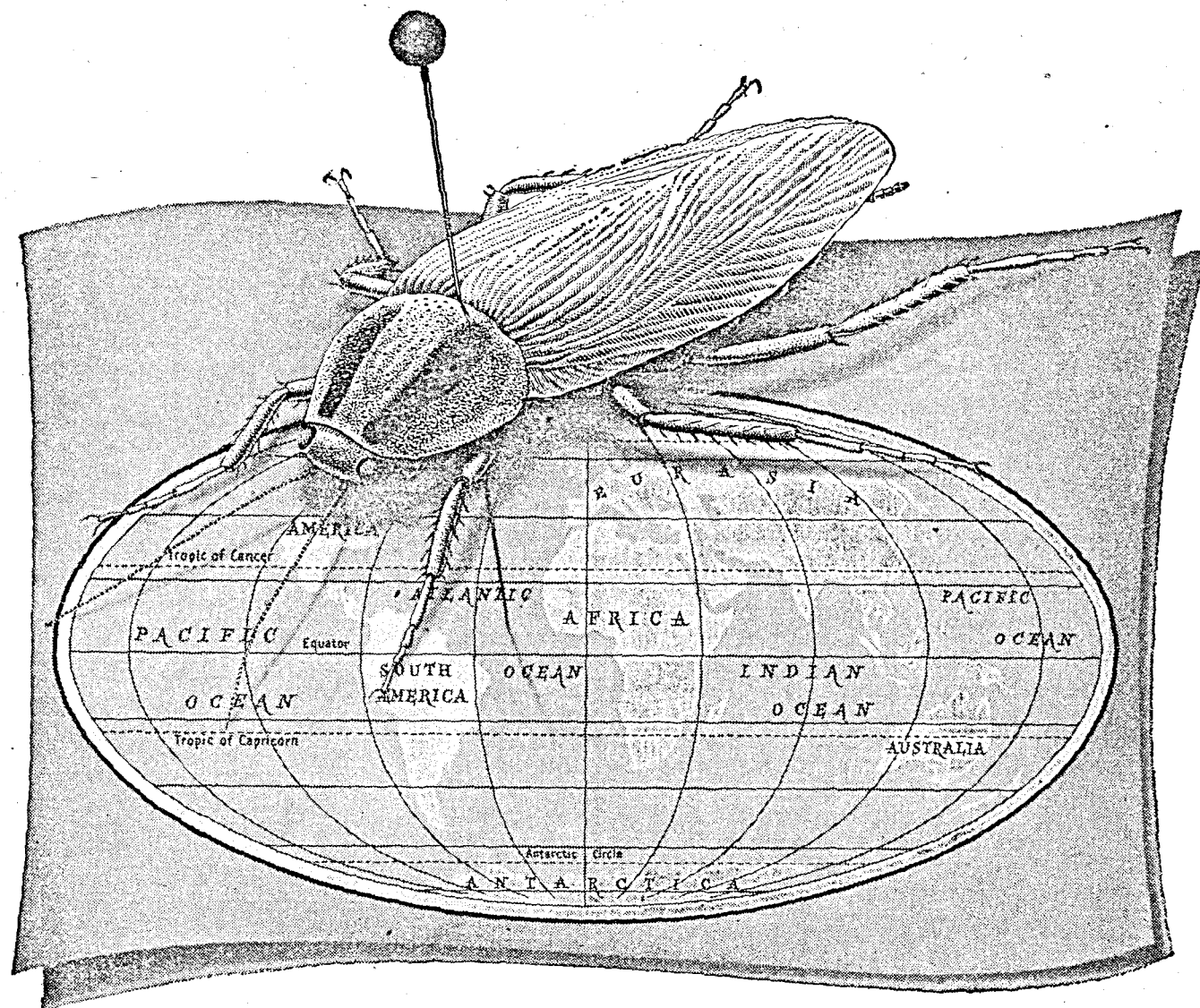
In any case, the 183 men involved were only the small fry of *Nasjonal Samling*. A handful of Norway's major collaborators, including Quisling himself, were executed at the end of the war, but it has been Norwegian policy to refrain from reprisals against the rank and file of NS unless specific crimes could be laid at their door. The case of the civil servants makes an interesting comparison with what happened recently in Denmark, when a proposal came before the *Folketing* to grant an amnesty to a number of German war criminals and former Danish collaborators who were still in prison. Although the Danish Minister of Justice, Hr Hækkerup, came under fire from ex-Resistance groups, the measure was carried and the men concerned had about a third of their sentences remitted.

Hr Hauge is succeeded as Minister of Justice by another lawyer, Hr Jens Haugland; but it is unlikely that his distinguished career is at an end. After leading the military section of the Resistance in Norway during the war, he was appointed Minister of Defence in 1945, and was the youngest man ever to hold Cabinet rank in Norway. He had recently been chosen to go with Hr Gerhardsen, whose protégé he is, on the Premier's coming trip to Moscow. Hr Hauge is, however, credited with a rather un-Nordic warmth of temperament, and it may have been this which caused his abrupt decision to resign.

Between the Dragon and the Tiger

SOME 500 million people, or about one-fifth of the world's population, live in the Chinese countryside. The collectivisation of their 110 million holdings is certainly the most gigantic social experiment in history, overshadowing even its Soviet precedent. From time to time information is released about the progress and prospects of this crucial movement. But the most authoritative statement yet on this subject has only now reached this country. It is a major speech by Mao Tse-tung himself, analysing past achievements and current problems, outlining the regime's intentions and the opposition they arouse within the Communist Party itself.

It was always assumed that prominent members of the party and the army, fearing a peasant upheaval, opposed the speeding up of the collectivisation drive; this may, indeed, have been the reason for last year's purges. Mao Tse-tung, in fact, confirms the existence of such an opposi-



The case of *Blatella germanica*...

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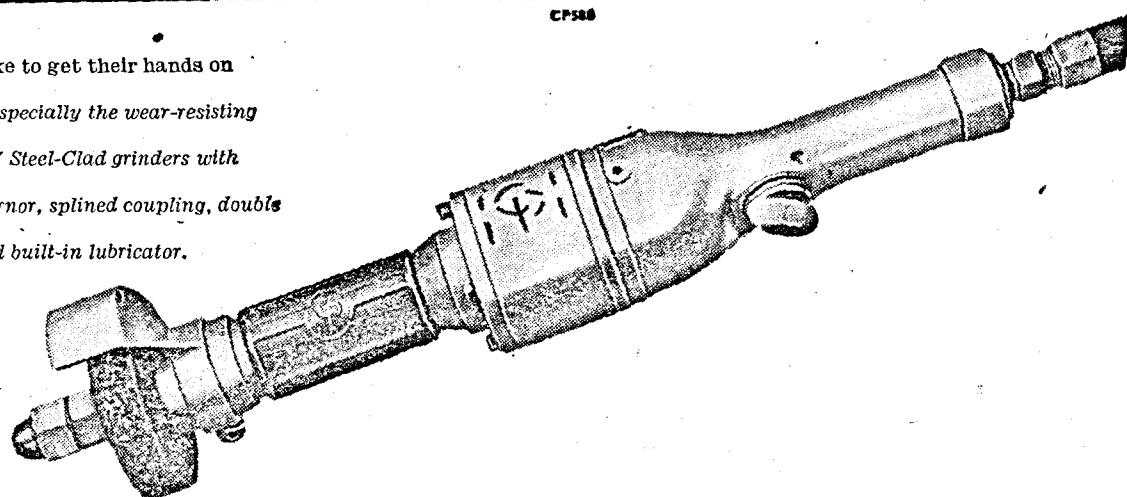
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tion and his speech throughout attacks the comrades lacking faith and courage, who fear "dragons ahead and tigers behind." He accuses them of advocating too slow a tempo for spreading co-operation, of always timidly calling for halts in order to consolidate. Producer co-operatives can only be consolidated while others are being set up—he argues—and a pause would merely give capitalism a chance to grow in the Chinese countryside, where, Mao admits, "in recent years spontaneous capitalist influence has daily developed, with new rich peasants emerging everywhere" and the "division into two extremes" is thus liable to get worse, with those peasants who are still in dire poverty "saying that we do not rescue them even if they are dying." Furthermore, the industrialisation of the country is dependent on growing agricultural surpluses which, he maintains, can only come from the larger and more efficient collective units. This is why Mao finally brands the opponents of the present policy as the effective allies of "the bourgeoisie and the rich peasants."

How fast are the Chinese really proceeding towards the goal of large-scale collective farms? It was clear from the very beginning that the agrarian reform, which cut down the larger estates, could only be a temporary measure for the new regime. Peasants with their small plots were soon encouraged to combine in seasonal or more lasting mutual-aid teams. The next stage—the "semi-socialist" stage, to use Mao's expression—was the transformation of these teams into permanent "producer co-operatives," in which, though the work is done in common, members still get a rent for their land and a payment for their tools and draught animals. The drive began in the wheat-growing regions of the North, where the reform had taken place earlier, but it spread progressively southwards to the rice-growing areas.

Number of Producer Co-operatives in China ('000)

Dec. 1951	Dec. 1953	Oct. 1954	Oct. 1955	Oct. 1956 (plan)
0.3	14	100	650	1,000-1,300

These co-operatives already cultivate about 15 per cent of China's arable land. Their number was to reach a million by next year's harvest, but Mao Tse-tung judges this target too modest and calls for at least 1,300,000. Half of China's 110 million holdings should be amalgamated in 1958, i.e. the year following the end of the first five-year-plan, and the process should be roughly completed by 1960. The mass transformation of the co-operatives into *kolkhozy* on the Soviet pattern—the creation of larger units, the elimination of payments other than wages, etc.—is to follow and is to be achieved in the late 'sixties. There will still remain the task of pumping modern machinery and equipment into the countryside and Mao himself admits that a quarter of a century will elapse before it is really fulfilled.

Much of his speech is taken up with advice on how to convert peasants progressively to collective farming. Example and propaganda are to play a large part. 80 per cent of the co-operatives have increased their output, it is claimed, and Mao has given stern warning that co-operatives must in all cases achieve higher yields than individual farms—although they will receive very little machinery for seven or eight years at least. The whole party machinery in the countryside is to be mobilised for this vital job and it will get outside assistance. Special cadres are to be trained rapidly and sent into the field. In carrying out their function they must never forget the social differentiation which still exists in the countryside despite land reform. Mao

estimates that poor and "poorer medium" peasants account for between 60 and 70 per cent of the rural population. They can most easily be won over and must form the backbone of the drive. Indeed, *kulaks* are to be barred from joining any co-operatives which are still at an early stage.

The snag in this argument is, as Soviet experience has shown, that even the poor peasants mistrust the collective farms. Mao may think that he will overcome this resistance by his gradual method, but his opponents apparently fear that he is going too fast and risks provoking a peasant upheaval which could wreck the regime. They apparently quote the tragic Soviet experiment as a warning: "Some comrades have also found grounds in the history of the Communist Party of the Soviet Union for criticising what they call impatience and rashness in carrying out agricultural co-operation in our country at this stage." Mao Tse-tung himself takes an equivocal position. He takes the "Soviet road as an example," but euphemistically glosses over its most bloody passage, and, somewhat ominously, stresses the need to "learn through struggle." According to him, in China, for the moment, adventurists "dizzy with success" are a lesser danger than the laggards fearing to advance. He, too, undoubtedly remembers the dangerous episodes in the history of Soviet collectivisation, but he is also conscious of what prompted that drive and now prompts his own: "the ever-increasing demand for marketable grain and industrial raw materials." If that rising demand cannot be met during the next 15 years, Mao recognises that "socialist industrialisation" cannot be achieved.

The parallel should not be pushed too far. The garden-like agriculture of China has its special problems. Land hunger is even greater here. The average family has a plot of about one hectare, the average co-operative—less than 30 hectares. The farms will have to be expanded before mechanisation can be applied efficiently and even then rice cultivation will present a special case. This explains why the mechanisation of agriculture has been relegated to a later period. In the next 15 years some 30 million hectares of waste land are to be reclaimed or about a quarter of the area now under cultivation. The conquest of new land may prove the decisive battlefield of the Chinese Communist regime. Yet, before waging it, Mao Tse-tung must first steer the Chinese economy between the "dragon" of capitalism and the "tiger" of peasant wrath. The progress or failure of Peking's titanic venture will be watched by rural peoples throughout Asia and in other peasant communities across the world—and note will be taken of the degree of ruthlessness that the Communists employ.

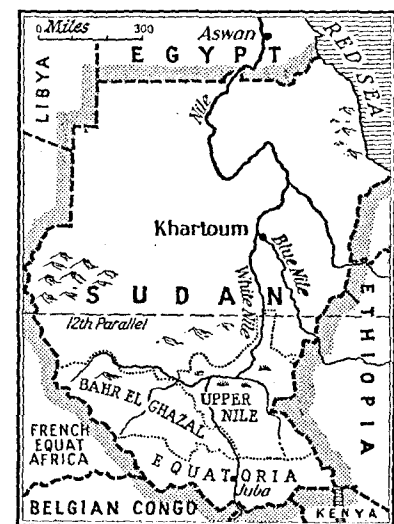
Two Conundrums for the Sudan

EVEN a Parliament hoary with age and experience might quail at the two problems that face the Sudan Parliament as it reassembles this week. One is by what process to bring about the complete independence that everyone wants, at a time when fear and uncertainty of northern *bona fides* riddle the three southern provinces of Equatoria, Bahr el Ghazal and the Upper Nile. The other is how to repair the almost total breakdown of civil administration in the south.

Parliament's summer recess has been shorter than usual because, unseasonably, it met in August in order to hasten the steps it must take before the nation qualifies for self-determination. (The processes whereby it then got rid of the troops of the two co-domini—Britain and Egypt—and voted to determine the Sudan's future by plebiscite rather than by means of the Constituent Assembly prescribed in the Anglo-Egyptian agreement of 1953 were described in *The Economist* of August 20th.) Since then, both its problems have swelled in gravity owing on the one hand to the dimensions of the revolt in the south Sudan, which has been wider in range than the first stories of a mere mutiny led to suppose, and on the other, owing to unpredictable variations in Egypt's statements about what Cairo is and is not prepared to back in the way of arrangements. Indeed, the complexity of both Egyptian and Sudanese changes of heart about the form which self-determination is to take are as baffling as the figures in some intricate country dance.

Briefly, when *The Economist* last abandoned the tale, the Sudan was for a plebiscite and Egypt, under the baleful influence of Major Salah Salem, was backing the factions in both south and north that opposed the present government, formed by the National Unionist party that used to favour union with Egypt, but now—to Egypt's chagrin—favours independence. Once it dawned on Cairo that

Major Salem was barking up the wrong tree, he was dropped from the junta and—allegedly—the wishes of the Sudanese became paramount. But last month, at a moment when those wishes were still, officially, for a plebiscite, Cairo unilaterally issued invitations to the seven chosen neutral umpires to supervise elections to the Constituent Assembly laid



down in the statute. (The motive, it seems, was to brand Britain as behindhand in completing the self-determination process.) Since then, the Egyptians have switched back to smiling upon a plebiscite, whereas many of the Sudanese who voted for this system in the summer now realise how difficult it is to execute on account of the trouble in the south.

Unravelling so far as is humanly possible, these curvets and volte-faces now confront the Sudan Parliament with three choices: Either it can stick to the 1953 plan of supervised elections to a Constituent Assembly, or it can declare itself competent to become that Assembly, so incurring some criticism but avoiding fresh elections in troubled times, or it can ask the co-domini to recognise its right to decide the Sudan's future. Its difficulties in deciding on either of these latter two simplifications of an old arrangement are: first, that any such plan must entail domestic agreement as to who is to draft the constitution and who to rule while it is drafted, and secondly, that any

extension of the powers of the present house is bound to be queried by the South, whose members are sadly out of touch with constituencies that they have not lately been allowed to visit because to do so would be risky to life and limb. Indeed the paramount difficulty of taking any immediate step towards self-determination lies in the outbreak of parochialism, uncertainty and mistrust of northern intentions that now riddles the whole southern Sudan. These emotions, all latent in the years between the British-inspired conference on unity at Juba in 1947 and the rebellion of August last, must be quieted before any solution worth reaching can be achieved in Khartoum.

Unfortunately, the northern authorities have clamped so stern a censorship on news from the three southern provinces that it is difficult to know what is happening there. Stories range from accounts of vengeful punitive expeditions by northern troops to tales of conscientious northern political officers toiling to show that the North is now mature enough to take the South seriously. The southern Sudan is a big area; probably, therefore, each tale is true at some point or other. Pieced together from the accounts of travellers and the evidence given at the public sessions of the official enquiry into the cause of the revolt, the story seems to run as follows: Long before the actual outbreak on August 18th, governors and district officers had warned Khartoum of southern discontents, but their reports were pigeonholed or filed by newcomers to office who were too liable to be abroad placing their new country on the map, and therefore inattentive to the worst problem on the home front. Only the chance arrest of a tribesman who shot an arrow at a policeman and who, when arrested, was found to be carrying subversive leaflets, prevented an army mutiny from becoming a much wider revolt. But only about half the mutineers responded to Khartoum's appeal to surrender. The rest either took to the grass or crossed into neighbouring British, French or Belgian territory, where, more lately, their numbers have been swelled by fresh fugitives from the northern military expeditions sent to restore order.

Grounds for Grievance

The North has some grounds for grievance; over 400 northerners were killed or murdered by the mutineers and even by police, some with peculiar brutality. Many northern merchants have therefore left the South and no northern schoolmaster wants to serve except in towns where a northern garrison is likely to be within call.

The most depressing of the many disturbing news items that are percolating outwards is a press report that, owing to the necessity for enlarging the Sudan Defence Force and the police, the country's education budget for the next five years, outlined at £22 million, will have to be reduced to £8 million. Clearly cuts of this type are inevitable if the southern Sudan has perforce to be run in the only way that is at present possible, which is by means of military government. But it follows that unless active steps are taken to curtail the period of such government, the whole Sudan must suffer in the realm of development and welfare. Yet to propose the simplest way out—which is a federal solution, and a request for temporary foreign help with administering the southern part of the federation—would require a measure of moral courage that very few Africans possess, for it would be undertaken to an accompaniment of booing from the whole Arab-Asian block, and from

Egypt in particular. This puzzling scene is not a suitable atmosphere in which to hold a vote on self-determination; the Prime Minister, Ismail el Azhary, spoke only too appositely when he recently reminded a questioner that, by the terms of the relevant Statute, the self-determination decision need not take place for another 17 months.

Herr Ulbricht Returns to Potsdam

THE East German government, which has from time to time pretended to agree to reunification by way of free elections, has now frankly reverted to the Potsdam agreement—as understood by the Russians. A memorandum has been presented to Mr Molotov in Geneva, outlining the Communist plan for reunification and the Soviet Foreign Minister has taken it as the basis of the plan which he presented to the conference on Wednesday. It is the counterpart of the international security agreement which the Soviet government is proposing to the western foreign ministers. Mr Molotov proposes a security pact which would be based, explicitly or implicitly, on the continued division of Germany for some years to come; while Herr Ulbricht and Herr Grotewohl lay down what should be done meanwhile to ensure that when Germany is reunited, it will become a "people's democracy."

The Communist plan comes as no surprise. It follows the principles laid down by the Soviet leaders when they passed through East Berlin on their return from last summer's Geneva conference, and echoed by Mr Suslov at the anniversary celebration of the founding of the East German Republic in October. In the first place, they provide that elections shall not be held until the enemies of "democracy" (Communist-style) are removed from the Federal Republic. A statement issued by the central committee of the Socialist Unity Party on Tuesday, to accompany the memorandum in Geneva, declared that the western idea of free elections as a preliminary to reunion was nothing but a means of "enslaving the German people." The Communists, the Social-Democrats and the trade unions, it is said, must unite to oust the militarists. Innumerable other declarations made since last July have added to the circles which must be eliminated before "free elections"—landlords owning more than 250 acres (to be dispossessed without compensation) bankers and "monopoly capitalists."

Merging Two Economies

The East German memorandum does not suggest that an all-German administration should wait until the ground had been politically cleared in the West, and "free elections" held. It reverts to a proposal made years ago, which is based on the terms of the Potsdam agreement. It declares that a nominated all-German council should be formed, consisting of delegates from the *Bundestag* and the East German People's Chamber. Negotiations on the formation of this body should begin at once between the two governments. The Communists do not demand that it should be set up on the basis of numerical parity between the

Bundestag, representing 47½ million Germans, and the People's Chamber, which has not been freely elected, representing 16 million inhabitants of the Soviet Zone. But it does provide for the council's decisions to be approved by both parliaments, which would continue to exist. The People's Chamber would therefore have a right of veto over the council.

The task of the all-German body, according to the Communists, would be to prepare the merger of the Communist and capitalist economies and social systems. In all previous statements by the Soviet and East German leaders it has been made abundantly clear that the changes would have to be made in the Federal Republic, and that "the workers' achievements will not be sacrificed" in Soviet Germany. This aim is obscured by the statement in the memorandum that capitalist and socialist enterprises will remain in the united country. A small and dwindling proportion of privately-owned enterprises still exist in the East German Republic, as in all people's democracies which have not yet become full "socialist states." The statement that both types of enterprise would exist in reunited Germany does not therefore mean that any de-nationalisation in the Soviet Zone would be tolerated, and all the evidence points to the conclusion that, on the contrary, West Germany would have to expropriate a large proportion of its industries to satisfy the Communists. It should not be forgotten that the East German authorities are pressing on with the formation of their army, with the plain intention of using it in civil war against the recalcitrant capitalists of the West. Only this week a speaker has exhorted the factory "fighting groups" to emulate the "Red Ruhr" commandos which played a role in the abortive German revolution after the first world war.

Converging Views

Every responsible German, if asked his opinion of the Communist memorandum, would say that it was entirely unacceptable. Nevertheless, it would be unwise to base western policy upon the assumption that there is a firm front in Bonn which will maintain the *status quo* indefinitely. Two points may be mentioned to indicate that the cleavage between the two sides—deep though it is—is not as great as might be imagined. In the first place, the advisory council which is attached to the Ministry of All-German Affairs has concluded that the larger enterprises in the present Soviet Zone must remain nationalised in the event of reunion, only the smaller firms being returned to private ownership in due course. Similarly, large estates would not go back to their former proprietors.

Another sign that views may gradually converge is to be found in the latest statements of the Social-Democrat leaders. Herr Wehner, who is the party's dominant voice on all matters concerning reunion, and is chairman of the *Bundestag* committee on all-German affairs, has declared in a broadcast this week that the authorities in East and West must combine to form joint administrations dealing with posts, transport and similar technical matters, while maintaining the political distinction between a democratic and undemocratic government. In other words, the Social-Democratic Party would also revert to this part of the Potsdam agreement. And there is no reason to think it would object to the provisions, recalled by Herr Grotewohl, for abolishing "monopoly capitalism" and "militarism." Much will depend on whether it interprets these words in

the same way as Herr Grotewohl, or continues to reject any co-operation with the Communists. In the meantime, it is evident that there are politicians in Germany, and not only on the left-wing, who are ready to take risks with the East Germans, in the happy belief that the American forces will always be there to protect them from catastrophe.

Journal of Geneva—I

THURSDAY, October 27th. M. Pinay, in the chair, rapidly won agreement on the agenda and various matters of organisation. Each Foreign Minister then made an introductory general statement; on the western side, the emphasis was on the urgency of ending the division of Germany, while Mr Molotov dwelt on Russia's contributions to the "Geneva spirit" and the need to take precautions against a resurgence of German militarism. When the western ministers tried to table their proposals on Item 1 (European security and German reunification) Mr Molotov protested that it was too late (the time was then six o'clock) and after a warm argument, lasting until 7.30, the West agreed not to table its plans formally until the next day.

Friday, October 28th. The rival proposals on Item 1 were tabled together with the ministers' explanatory speeches. The western plan was in two parts: a nine-point draft security treaty and a five-stage plan for German elections and unification. It was stipulated that the treaty would come into force only if and when a freely reunited Germany elects to join Nato; the West argues that if Germany should choose to stay outside Nato the Russians would have no grounds for their alleged fears. The main proposals of the draft treaty are: (1) Each signatory would promise to take "appropriate action to meet the common danger" if any party initiated an attack across the East-West boundaries. (2) In a zone on either side of the eastern frontier of a reunited Germany, the size of armed forces would be limited; a system of inspection would be set up to guarantee that the limitations were observed; and each side would have the use of a radar network in the other's territory. (3) Collective self-defence pacts would be permissible, but foreign bases would be allowed only so long as the host country gave its consent.

The western plan for German reunification was virtually the same as that presented by Sir Anthony Eden at the Berlin conference of January last year, and envisages the following stages: (a) free elections throughout Germany, guaranteed by a detailed list of proposals for secrecy and freedom of expression; (b) the establishment of an all-German National Assembly; (c) the drafting by the Assembly of a constitution; (d) the formation of an all-German government; and (e) the signing of a peace treaty.

Mr Molotov attacked the western security plan because, he said, it would encourage German militarism and perpetuate the existing blocs. He then revived the Soviet security plan which was presented to the heads of government in July. This would embrace the United States and all European countries, including the two Germanys until reunification is achieved; its core is a simple undertaking by all parties to assist any member which suffers armed

attack. After a first-stage period lasting two or three years Nato would have to be abolished. Mr Molotov produced no suggestions for German unification.

Saturday, October 29th. The western ministers tried unsuccessfully to draw Mr Molotov into producing his plan for German unity, but the Russian Foreign Minister insisted that European security was the basic issue, and that before German unity could be discussed he would have to raise the question of inviting German representatives to join the conference. He repeated the familiar Russian criticisms of Nato, and the western ministers their equally familiar justifications of it; they in turn berated the Russian security proposals as entirely lacking in any solid guarantee against aggression.

Monday, October 31st. The western ministers put forward a 17-point programme for ensuring closer contact between East and West. This included: (1) The gradual elimination of censorship. (2) Wider exchanges of books, periodicals and newspapers. (3) More private tourism. (4) An end to radio jamming. (5) Exchanges of students, and more meetings of scientists and professional men. Mr Molotov expressed his support for the idea of closer contacts, but hinted that progress would depend on the West's willingness to raise the embargo on strategic goods. The ministers then referred the matter to a committee of experts with instructions to report back on November 10th.

Mr Molotov then produced a new Soviet version of the proposed European security treaty. The chief differences from the earlier Russian plan were: (1) The new proposal was for a "provisional" treaty, with an indefinite lifetime during which Nato could continue to exist. The earlier plan had condemned Nato to be abolished "after two or three years." But the new Russian proposals, by including both Germanys in the provisional treaty, assumed that the division of the country was to be prolonged indefinitely. (2) The new plan included a scheme for arms control in east and west Germany and possibly the neighbouring states. Mr Molotov also proposed that delegates from the two Germanys should be present at the conference; but as Mr Dulles refused to accept the presence of East Germans, it was decided not to invite either side.

Tuesday, November 1st. With Mr Dulles in Madrid and M. Pinay in Paris, this was a day off for the conference. The East German observers published a plan for German unification which, it was assumed, would be the basis of the official Communist proposals.

Wednesday, November 2nd. Mr Molotov made another unsuccessful bid to obtain German representation at the conference, and hinted that "fruitful discussion" of Germany would be impossible without it. He then produced the Russian proposals for reconciling the two Germanys, which were on the lines of those published by the East German delegates the day before. The kernel of the plan (which is further discussed on page 491) is the creation of an all-German council composed of representatives of the two Parliaments. This would be only a consultative body, which would, however, "bring about accord" on military matters and would provide for mixed governmental committees to deal with economic and administrative relations between the two states. The all-German council would also "consider dry mutual agreement" the problem of unification. Mr Macmillan had earlier reasserted that the western powers could only consider the problem of security on the basis of a reunited Germany.



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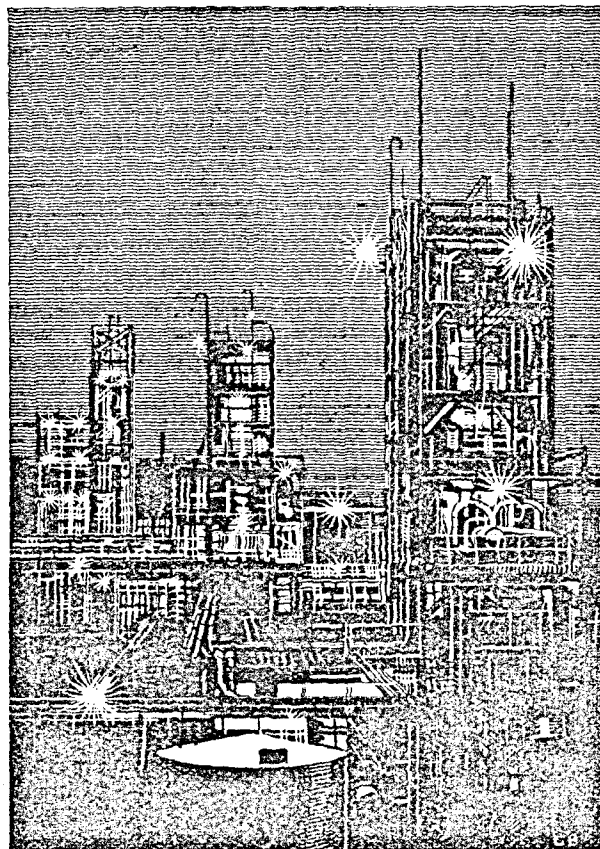
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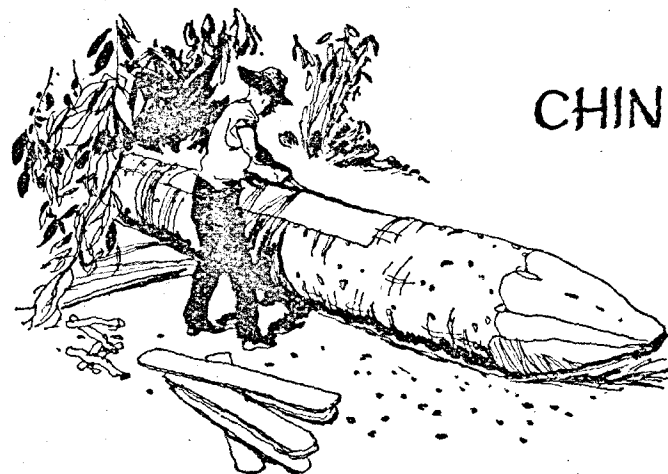
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THE BUSINESS WORLD

The Market for Aircraft

WHEN orders that run—on paper—into hundreds of millions of pounds are placed by some of the world's major airlines for aeroplanes that are themselves still largely creations of paper, the signs point as plainly as the coming of swallows points to summer, to the start of a major process of re-equipment in the air transport industry. Here are the orders and negotiations of the past few months:

United Air Lines has placed an order for 30 Douglas long-range jet airliners, the largest single order ever placed for a commercial aircraft: value £62.5 million.

Two major American airlines, Eastern Airlines and American Airlines, have ordered a total of 75 Lockheed Electras, a turbo-prop airliner for medium-range operations: value £59 million.

Pan American World Airways has placed an order for 25 long-range jet airliners from Douglas and 20 from Boeing, both for non-stop North Atlantic services: value £96 million.

British European Airways is negotiating an order for about 20 Vickers Vikings, a new medium-range turbo-prop airliner of the same size as the Electra: value £20 million.

Canadian Pacific Airlines has placed an order for three long-range turbo-prop Bristol Britannias with an option on another 5: value £3½ million, without options.

Without taking account of options these orders run to a total of £240 million and orders for another £60 million worth are almost completed. They have one feature in common: they are for aircraft of great size, carrying 100-150 passengers, that have not yet been built, let alone proved and flown, and they all involve radically new types of equipment.

From time to time a major upheaval of this kind takes place in civil aviation; operators who have been apparently content to replace ageing equipment with newer and larger variants of the same family of aircraft turn their back on tried and trusted designs in favour

of the new, the untried and the revolutionary. The first postwar cycle has seen the evolution of the giant piston-engined airliner, thundering non-stop from coast to coast, from San Francisco to New York, from New York to London. Operators are now looking to the gas turbine for greater speed than the piston engine can give.

The cost, and no less the technical difficulties, of designing modern airliners and their engines is now so great that the choice of types open to the airlines at any one time is restricted. Very roughly, aircraft can be grouped into three categories: long-range aircraft, which today means machines capable of crossing the North Atlantic non-stop in all weathers; medium-range aircraft for distances of anything from 500 to 2,500 miles; and short-range, feeder line machines that have to be designed with an eye to their use in undeveloped countries with spartan airports.

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The topography of the North Atlantic has a decisive—and a distorting—influence on aircraft design. With its distances from coast to coast, and the ferocious headwinds that play across it during winter, it demands of an aircraft greater power and greater range than any other trunk air route in the world. There are only three new aircraft now being designed for this kind of "North Atlantic Operation," two jets and one turbo-prop. The jet airliners are the Boeing 707 and the Douglas DC8, both aircraft using four Pratt and Whitney jet engines. The turbo-prop is the British long-range Bristol Britannia; this is the third mark of Britannia to be designed, and its prototype is now under construction. This will have an advanced version of the Bristol Proteus engine. Neither of the two earlier marks of Britannia are capable of crossing the North Atlantic non-stop; nor is de Havilland's jet Comet IV. No

more work is being done on the big jet transport that was once being developed by Vickers-Armstrongs as the VC 1,000, and it is indeed doubtful whether the partly built prototype will ever be completed.

On the medium-range routes (which a year or so ago would have been considered as long-range), there is a choice of two aircraft only. One is the turbo-prop Vickers Vanguard, the other is the turbo-prop Lockheed Electra. Lockheed has, for the time being, no new candidate for the North Atlantic. These two big turbo-props have both an effective range of 2,500 miles; the Vickers Viscount is likely to stay in production for routes of up to 1,000 miles, its only competitor for this type of work being the Convair 440. This aircraft deserves some comment; Convair have recently experienced great difficulty in selling the piston-engined Convair 340 in competition with the Viscount. The 440 version is basically the same aircraft, but the cabin has been sound-proofed with a new efficiency, and the engine power stepped up to carry the extra weight.

In the really short ranges, a number of types are under development here, in France and in America, but many airlines are quite content to continue re-furbishing their DC 3s for this type of operation where new, modern equipment is of second importance to economy.

These new aircraft will come into service around 1960, and until then the market will follow its established pattern of using long and still longer range piston-engined aircraft, built by Lockheed and Douglas, and a growing number of medium-range turbo-prop Viscounts built by Vickers. The point at issue is the extent to which the battle of paper aeroplanes that is now being carried out by the industry's salesmen will upset this pattern in the future.

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Air transport is dominated by American manufacturers and American airlines. There are, in round figures, 4,000 aircraft in operation outside the Iron Curtain. More than a quarter of these are very small, although they are not necessarily old equipment. Of the balance, about 2,000 had been built by Douglas and more than 1,400 of these are the undying workhorse, DC 3's. Lockheed aircraft, Constellations and developments of them, accounted for nearly 300, and twin-engined Convairs for about 350. The number of Convairs and Dakotas in service suggests that the market is going to require about 1,500 medium- and short-range aircraft to replace them during the next few years, assuming that the growing size of aircraft roughly balances the increase in traffic—as it has done recently, for the number of aircraft has remained static while capacity has grown. There were only 43 Viscounts in service at the end of 1954, but the numbers are rising rapidly and Vickers have to date delivered 77. The 1,000 longer range aircraft provide the market for Lockheed, Douglas, Boeing, Bristol, the Vickers Vanguard—and for the Comet IV—and if British manufacturers

are to get a reasonable production run, it is essential for them to sell at least part of their output to the American airlines. For American operators own a high proportion of the world's air fleet. The largest single fleet, 188 aircraft, is owned by American Airlines, followed by United Air Lines with 180, neither of which operates outside the United States. These are followed by Trans World Airlines with 146, Pan American World Airways with 127, and Eastern Air Lines with 119. The biggest of the European carriers, Air France, musters no more than 102 aircraft, and of the British corporations, British European Airways have 99 aircraft and BOAC 57. All of these fleets fall due for replacement every eight years, and the long-awaited decision of some of the bigger American carriers to change from piston engines to gas turbines, as shown in the recent orders, represents the kind of technical advance that tends to accelerate the process of re-equipment.

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When the choice of aircraft is so restricted, there is no longer any question of operators choosing to "Buy American" or "Buy British." They buy the aircraft most suited to their routes from the company in which they have most confidence. When civil aircraft are ordered from the drawing board, the question of confidence becomes all-important, and British manufacturers, who are only slowly acquiring an international reputation as civil airline constructors, are aware that the best salesmen for their new airliners of the 1960s are the older types that they are delivering, or about to deliver against current orders. This question of confidence, of the performance record of past designs, has introduced a new, unexpected, but, from the British point of view, not unwelcome complication into the market. In the design of big gas turbine engines for civil use, and especially of turbo-prop engines, British factories have a better record than American factories. Lockheed's plans to launch a turbo-prop airliner for North Atlantic operation next year failed for want of a suitable engine; so did Douglas's plans for a turbo-prop DC 7D. Lockheed have repeatedly stated that although an Allison turbo-prop engine is provisionally pencilled in for the Electra, the choice is not final. The decision of American manufacturers to build jet, rather than turbo-prop airliners, and the interest of American operators in them, owes much to the lack of suitable turbo-props, and even the available American-built jet engines have yet to prove themselves.

These considerations explain the large number of American aircraft engineers who have lately visited British engine factories, and they have led, among other things, to suggestions of various combinations of British engines and American airframes: a Lockheed Electra airframe with a Rolls-Royce turbo-prop RB 109 (the engine for the Vickers Vanguard); a long-range Lockheed 1649 Super Constellation with the Bristol turbo-prop BE 25; and the use of Rolls-Royce jet engines

in Douglas airliners and Napier Eland turbo-props in Convairs. There has been some impatience among American aircraft makers with the slow response that British engineers have made to suggestions that they should sell their engines in America; the reason lies not in any reluctance to enter into American contracts, but on a soundly based refusal to sell a new engine to a foreign factory until it has been extensively proved nearer home.

The close discussions between American and British manufacturers arise also from realisation of the difficult task that Boeing and Douglas have set themselves in building non-stop, trans-Atlantic jet airliners. These aircraft become, for technical reasons, so heavy that few airports outside London and New York have runways long enough and strong enough to take them, and some

Qualms About Cotton

THIS season something novel has happened to trade in raw cotton. Competition has returned to world markets, and prices of "outside growths" (American-type cotton grown outside the United States) have fallen much below the United States export price: it is being foreshadowed that competition will grow and prices fall further. That is not a happy prospect for producers or for consuming industries. Weakness in cotton prices inhibits buying throughout the textile industry. It is especially painful for Lancashire, suffering as it is from a loss of export markets and from the invasion of the home market by Asian cloth.

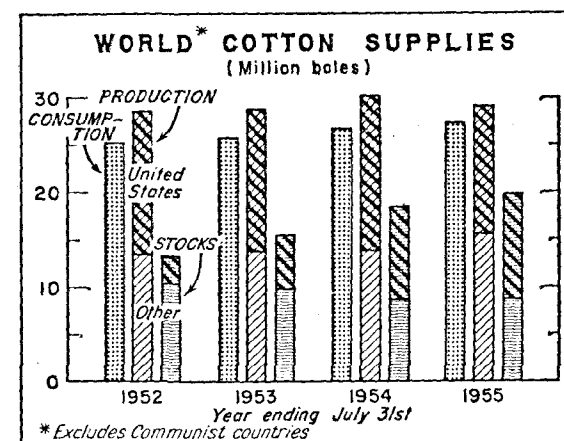
For several producing countries falling prices may bring political as well as economic troubles. For Egypt especially, where cotton is the mainstay of the economy, the outlook may be grim. A government not rich in resources has promised the farmer a minimum price for his crop, and now faces the possibility of having to implement its guarantee. Cotton is not much less important to Mexico, Brazil, Turkey, Pakistan and the African territories, and it is a growing political issue in the United States—the country that is largely responsible for the fall in its price.

When the United States supports the price of a commodity at a high level it automatically invites producers in the rest of the world to come under its umbrella. That is more noticeable with cotton than with wheat, because the United States has in recent years refused to subsidise exports of cotton as it sub-

engineers have yet to be convinced that it will be possible to give these aircraft the performance that is being claimed for them—and on which the orders for them have been based. The de Havilland Comet IV, which is a one-stop North Atlantic aircraft, and the non-stop long-range version of the Britannia, do not operate under these handicaps. They are lighter, and being less ambitious, have a more comfortable margin of performance in hand. But these are as much paper judgments as the aircraft themselves. Airlines are liable to place orders at an apparently precipitous rate to get a good position for deliveries, much as people rent a stool in the gallery queue. But they take up the orders only when they are satisfied with the way the aircraft transforms promises from paper into the fact of performance.

disables exports of wheat. The law requires that cotton acquired by the government in supporting the market must not be sold at home at less than the domestic market price or 105 per cent of the support price plus carrying charges, whichever is the higher. That restriction does not apply to sales abroad, but up to now the government has chosen to apply it. Hence the American support price normally holds up world cotton prices too. The foreign as well as the domestic producer of cotton—and also of rayon—is thereby encouraged to expand production, while the United States government is left holding the surplus. A glance at the chart of world supplies shows that in recent years, despite the steady rise in world consumption of cotton, world production has persistently exceeded it. The United States' share of world production has declined, as has its share of world exports.

The American Administration is painfully alive to the absurdities in its policy, and is moving gingerly towards reform. Acreage restriction has been tried, but has helped little. The 1955 acreage was cut by 14 per cent to the smallest figure in history, but the growers countered this by raising the yield to the highest figure in history. Now the Administration is faced with a crop of at least 14 million bales, half a million bales larger than its predecessor, and with the dismal prospect that the carry-over on August 1 next year may be two million bales larger at about 13 million—a stock that would cover one year's home and export requirements. While the United States has restricted



acreage, foreign producers have increased theirs. How could it be otherwise when the United States held its support price at the high level of 33½ cents a lb?

A radical change in American policy must come, and cotton traders know it. It was widely expected that exports in the new season beginning last August would be subsidised; that is why world trade slowed down to a crawl after the spring. In the event, after a prolonged inter-departmental squabble, the Administration shelved the main problem but decided to make a small start towards disposing of its big stock. Even that involved an important change of policy. In August it was announced that from January 1 the government would offer for sale abroad up to one million bales of the shorter-stapled cottons at "competitive" prices; i.e., at less than the domestic or the support price.

It is now clear that in taking that small step towards an export subsidy the government made a rod for its own back. It did nothing to restore confidence, and it gave America's competitors a five months' start. A year ago the Department of Agriculture told foreign producers that if they increased their acreages while the United States restricted its own, the government would be forced to re-examine its export policy. That warning fell on deaf ears. These countries are now "on notice that the United States finds it necessary to make a start towards more competitive marketing of some of its heavy stocks." Their producers have taken the hint and have been selling as much as possible before January 1. As a result, prices of outside growths are up to 6d. a lb below prices of United States cotton, and exports from the United States have slumped. By the New Year, selling pressure from other producers may have diminished, but the American government will probably have to offer the shorter staples, which are in any case those least in demand, at much lower prices than it first supposed.

The persistent lack of confidence in cotton prices disrupts trade. Buyers throughout the chain of manufacture live from hand to mouth and keep their stocks down. Merchants do not hold cotton because they cannot hedge it at a price that will repay them for

the cost of carrying stock and responsibility for carrying stock is pushed on to the spinners, who have to hedge as best they can. For most of this year the trend of prices on the Liverpool futures market has been downwards, the discount on the current price increasing with each forward trading month: May/June, for example, is now as low as 24½d. a lb, for the old 15/16th-inch contract, 3½d. a lb below the price of October/December. The extreme weakness of this contract partly reflects the possibility that cotton sold by the American government after January 1 will be tendered against it. But May/June futures on the new 1-inch staple contract, against which that cotton will not be tenderable, is only 1¼d. a lb higher at 26d., compared with the spot price for 1-inch of 32¼d. Rightly or wrongly, the market believes that the surplus of American cotton is now so heavy that the government will be forced to offer all grades at competitive prices before the season ends; if it did so it would be going back on its previous assurance.

The Secretary of Agriculture, Mr Benson, has clearly defined the direction in which he hopes to go. He wants Congress, at its next session in 1956, to take action "to encourage farmers to produce the grades and staples most desired by both the domestic and export markets . . . and to permit adjustments in price-support levels which will put our cotton in a more competitive position with synthetic fibres and with foreign cotton of comparable quality." No country can question the right of the United States to win back a larger share of world exports, provided that a reduction in support prices goes hand in hand with a reduction in export prices. Mr Benson seems to agree with that proviso. The doubt is whether he can carry Congress and the White House with him during an election year when the Democrats are already promising the farmers a return to high and rigid supports. (This week, from Denver, the President said that his Secretary of Agriculture and he were agreed that "we should not go back to old policies [of rigid price supports]" that have failed to meet the problem in the past.) If the United States did make a general reduction in export prices while maintaining the support

price, the domestic textile industry would clamour for increased protection against competition from foreign industries, and foreign producers of raw cotton would accuse the United States of dumping its exports.

The surplus of cotton can be remedied in time. Marginal production in the United States and elsewhere must be squeezed out by allowing the price to fall, and lower prices will help to stimulate consumption of cotton textiles. They will also diminish the competitive advantage of rayon and—what is closer to Lancashire's heart—the competitive advantage of Indian textiles based on Indian cotton at less than world prices. The United States can be expected to

move by degrees, not least in its own political interests, and the precise methods to be adopted are its own affair. But other countries are entitled to ask that trade in cotton should not be brought almost to a standstill each summer while the world waits for the United States to make up its mind on the programme for the coming season. This is a view that the British and other governments have forcibly expressed to the American government, and Britain can be expected to say it again. Unfortunately, in a commodity so politically charged as cotton, it seems unlikely that Mr Benson can declare the American government's plans far enough ahead.

Business Notes

A Rally in Markets

THE gold and dollar figures for October turned out better than most people expected; the improvement of sterling was quicker and more impressive than had been foreseen; the meeting between the TUC and the government was more amicable and perhaps more constructive than had been feared in the City. All those events demanded a rally in investment markets, yet the extent of that rally—Wednesday saw the best of it, and the market lost some ground on Thursday—surprised most experienced market observers. Advances of up to ½ were recorded among the medium and long-dated gilt-edged stocks. Industrials marched in step, the *Financial Times* index rising 1.9 to 193.2. The upward movement was widely spread. This was a rally based on thin business; bear closing certainly had something to do with it in both the gilt-edged and the industrial markets. Indeed, it is arguable that the rally was sharp just because the market was thin. Dearer money is now exerting a noticeable pressure on the size of jobbers' books, particularly in the gilt-edged market, which is almost the only section of the Stock Exchange in which the jobbers do on occasion still hold big books. If jobbers have to decide between being tiny bulls and being tiny bears there is little cushion to absorb even a moderate wave of buyers or sellers. Prices take the impact sharply and at once.

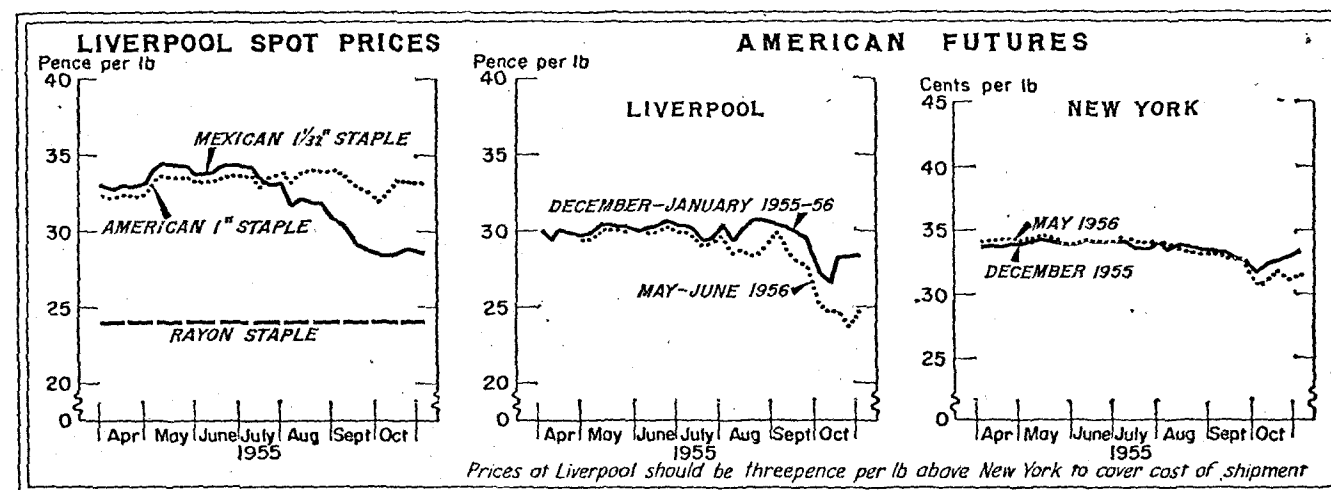
In the industrial share market where falling prices should in logic be the consequence of a tightening credit squeeze and increasingly cautious dividend decisions, another influence—temporary if not technical—has emerged. The pressure of big new issues on the market has for the moment lightened because borrowers know that the big institutions have little money for investment. There will be a fair number of smaller refinancing operations. This week's placing of part of the capital of Williams and Humbert, the sherry shippers, is an example of the better

type of smaller family business that can still come to market. Most of the company's £200,000 6½ per cent preference capital will be available at about 20s. 9d. per share and about a quarter of its 800,000 5s. ordinary shares at around 10s. 9d. per share. On a dividend of 20 per cent a yield approaching 9½ per cent is offered. In the new year more of the big issues may be forthcoming, for by then the institutions should again have more money for investment. The industrial market meanwhile enjoys a useful breathing space from the pressure of new capital demands.

Sterling Above Par

THE sterling-dollar rate has this week broken through the line of the official parity. At the beginning of the week the spot rate was hovering around \$2.79½. On Tuesday, following the Chancellor's counterattack on his budget critics and his assurances that the drain on the gold and dollar reserve was slowing down, the rate moved up and for a fleeting moment touched \$2.80. On Wednesday, however, the advance gathered momentum and although reputedly held back by some official offering of sterling against dollars the rate crossed the parity line and closed at \$2.80½ on the reassuring gold figures. It closed at \$2.80¾ on Thursday.

The improvement has also spread to the forward rates. A week ago the premium on three months dollars was around 1½ cents. It has since narrowed to a middle rate of 1¼ cents. The foreign exchange market in London reports little commercial demand for dollars, though normally it is still in spate at this time of the year. Part of the seasonal demand for dollars was undoubtedly anticipated in July and August when rumours of an impending devaluation or freeing of sterling were rife. The run on sterling, which in one week of July is believed to have cost the reserve over \$70



million, in part took the form of premature buying of dollars and other foreign currencies in respect of requirements that would normally have been satisfied later in the year. To that extent the autumn pressure was merely advanced.

The firmness of the official rate has been reflected in the unofficial rates for sterling against dollars. Transferable sterling has moved up to \$2.77½ and security sterling to \$2.75½. Even the decidedly "grey" rate for resident sterling in which there is an active market in New York is now \$2.75, the margin of dealing rates for that type of sterling being appropriately wide—\$2.74½–\$2.75½. All these rates lie within the range of a 3 per cent variation either side of parity which, in the discussions leading up to the European Monetary Agreement, was deemed to be the maximum that could be tolerated for any currency that became convertible and required greater flexibility. The only rate for sterling in New York that lies beyond this 3 per cent range is that for pound notes, now at a post-tourist season ebb and quoted \$2.63.

Sterling has also been steady in terms of most Continental currencies, though in these markets it has not advanced as strongly as against the dollar. There are widely conflicting reports of the extent to which the short position in sterling on the Continent remains uncovered. The funds lent to London discount houses by overseas and foreign institutions seem to be much below normal. That implies that the running down of sterling working balances—a major factor in the run from sterling earlier this year—has by no means been made good. Once the balances are restored sterling should benefit.

Output in the Third Quarter

MANY of the production statistics of the engineering and metal goods industries are now collected quarterly, and these are not reflected at all in the indices of industrial production that have so far been published for the third quarter—the revised July figure, provisional

OUTPUT IN THE THIRD QUARTER

	All Industries		Manufacturing	
	1954	1955	1954	1955
January	128	134	130	139
February	130	139	133	144
March	132	141	136	147
April	124	132	128	138
May	133	138	138	145
June	128	136	133	143
July	117	121	120	126
August	113	117	115	121
September	133	138–139	138	...

August figure, and forecast for September issued this week. The motor industry is the outstanding exception; its figures are produced quickly enough to go into the forecast that the Central Statistical Office produces, as a range, four weeks after the end of every month. Most of the other industries whose figures are available in time are basic industries or services: coal, steel, electricity, gas, and water,

plus a few sections of the textile industries. Moreover, the varying incidence of holidays in the third quarter makes indices for these months notoriously fallible signs of the trend of output.

The fact that production in the third quarter, as so far measured, was only about 3½ per cent higher than in the corresponding quarter of 1954, while increases of about 6 per cent were recorded in the first two, cannot yet be taken as any evidence of a real slowing in the upward growth of output or of the effects of restraint in the economy. So far this year, output in all industries appears to have been about 5½ per cent higher than in the same months of 1954. There is no chance of equalling the 6.7 per cent increase of 1954 over 1953; but for the whole of this year the increase might still approach 6 per cent.

Dollar Balance Recovers

THIS week's surge of confidence in sterling was vindicated by the gold and dollar figures for October announced on Wednesday afternoon. It had been known that the reserves would be burdened in October by the payment of \$80 million to the European Payments Union on account

(\$ million)	Gold payments (–) or receipts (+)*		U.S. Aid	Reserves	
	E.P.U. Settlement	Other Dollar Accounts		Change in Month	Total
1954					
July	+ 4	+ 76	+ 15	– 4†	3,013
August	+ 11	– 5	+ 11	– 95‡	2,918
September	– 12	– 14	+ 9	– 17	2,901
October	+ 6	+ 12	+ 17	+ 35	2,936
November	+ 7	– 32	+ 14	– 11	2,925
December	+ 3	+ 7	+ 8	– 163§	2,762
1955					
January	– 10	– 2	+ 13	+ 1	2,763
February	+ 6	– 103	+ 15	– 82	2,681
March	+ 3	– 38	+ 21	– 14	2,667
April	+ 13	– 11	+ 17	+ 19	2,686
May	+ 31	– 49	+ 18	Nil	2,686
June	+ 12	– 28	+ 10	– 6	2,680
July	– 10	– 130	+ 4	– 136	2,544
August	– 36	– 55	+ 4	– 87	2,457
September	– 59	– 55	+ 2	– 112	2,345

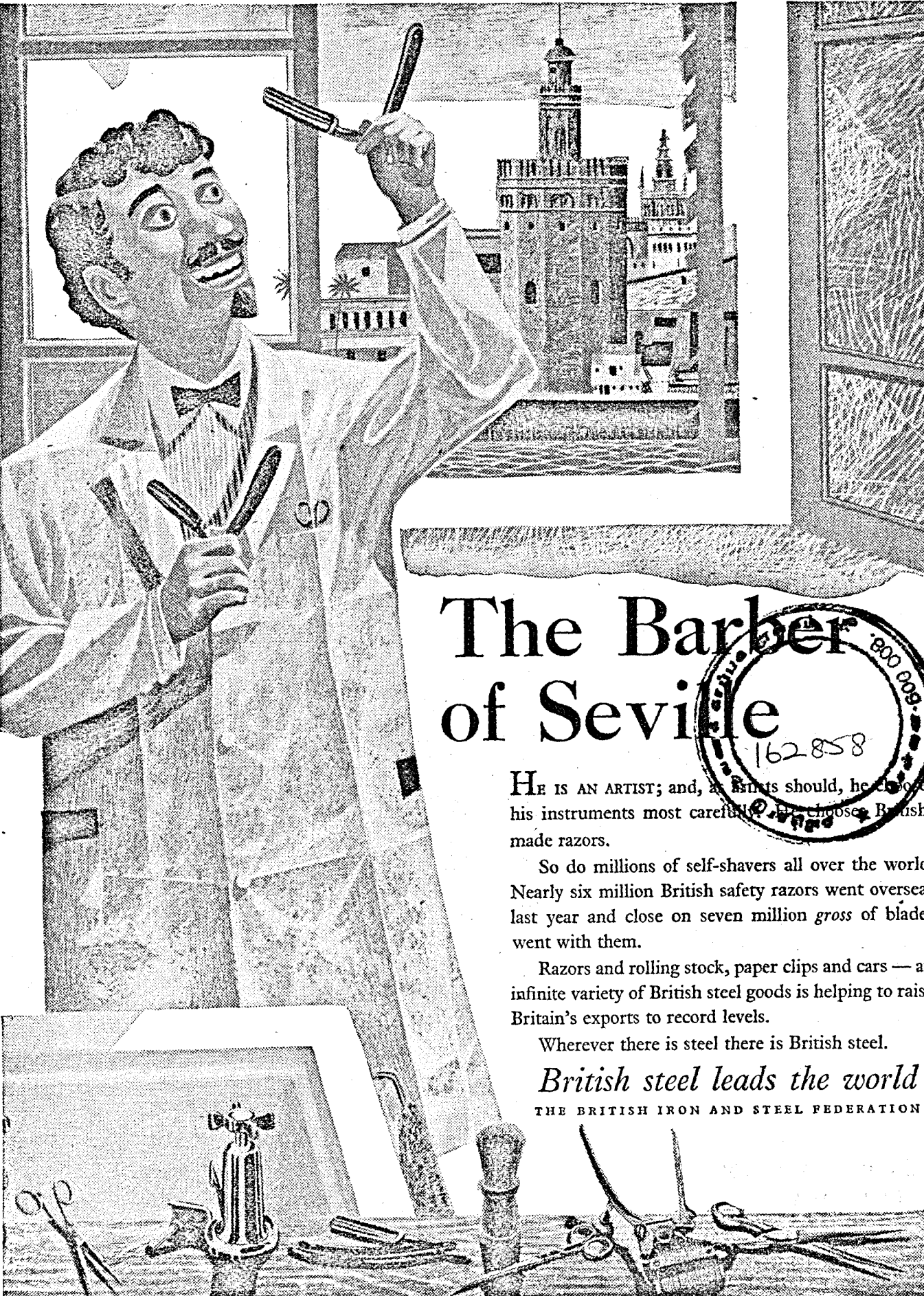
* Settlements with EPU are governed by balance in previous month.

† After payments totalling \$99 million to EPU creditors in initial settlement of part of UK's overdraft with Union.

‡ After payment of \$112 million to IMF for "repurchase" of sterling.

§ After payments totalling \$181 million on United States and Canadian loans.

of the September deficit; yet they fell by only \$48 million. About \$3 million was received in American aid, so that the residual balance was a surplus of \$29 million. This balance reflects the sterling area's balance with the dollar area itself, together with the net operations of the Exchange Equalisation accounts and capital transactions (including the \$2 million paid each month to EPU creditors in settlement of past debts to the Union). October is the first month of 1955 in which this residual dollar balance has shown a surplus.



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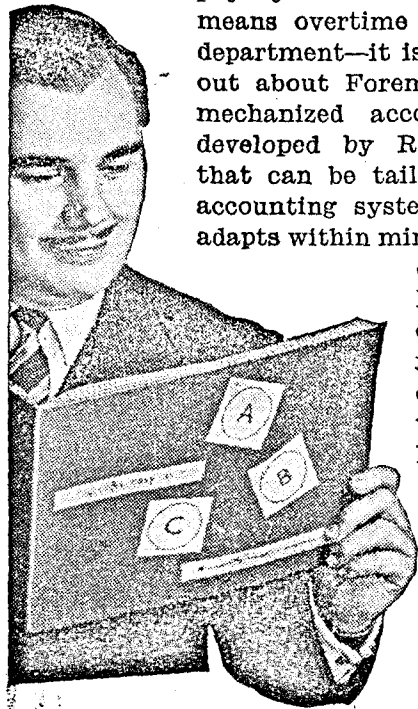
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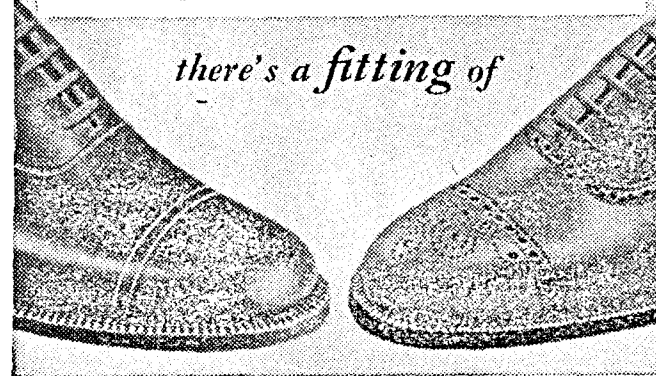


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The sterling area's payments with Europe are still in the red. The balance with EPU in October was a deficit of £15 million—substantially less than the deficits of £38 million, £28 million and £25 million incurred in September, August and July; and as the short accounts in sterling built up by continental operators had by no means all been closed by the end of last month, the deficit of £15 million need not be too discouraging. But it does call for a payment in gold of \$31½ million next week.

Report on Atomic Energy

THE first annual report of the Atomic Energy Authority, covering operations from its inception in July, 1954, to the end of March, 1955, is not the detailed financial document produced by other nationalised industries. This is a new industry and the authority was brought into being so that it should develop along normal commercial lines, a task that has taken up most of its time during these first months. But it has, however, two inhibiting legacies from the past when it was a department inside the Ministry of Supply; one is the Treasury accounting rule, under which any unspent surplus must be returned at the end of the year, the other is the civil service scale of salaries.

The authority differs from other nationalised industries in being financed by an annual grant from Parliament. Some years must pass before it can expect to earn any income other than receipts from the sale of atomic weapons to Service departments and the pin-money from the sale of radio-active materials. Tribute should be paid to the successive governments that have never stinted either money or materials on atomic expenditure—and tribute also to the scientists who have given the country an exceptionally good return on its investment. But it is explicitly stated in the report that the funds are granted not in a lump, but under specific sub-heads so that special permission has to be obtained to use savings under one head to finance others. The report gives one specific instance of receiving permission to use savings made on stores to meet additional purchases of land and extra loans for uranium production. This is a far cry indeed from the vague duty laid on other nationalised industries covering their outgoings "taking one year with another." It is the method least likely to encourage realistic estimates in a field of engineering where financial forecasting is notoriously hazardous, and it is largely the result of good luck (and good window-dressing?) on the part of the scientists and the open purse of the Government that this Treasury requirement has not caused more friction. The attention drawn to it in the report suggests that the authority, for one, is aware of the sand that it throws into the gears as well as the doubts that it casts on how autonomous this new nationalised industry is intended to be.

Looking Backwards

THE long arm of the Treasury also reaches to the wages policy of the Atomic Energy Authority. The principal threat to the Authority's time-table of research and construction is not money nor materials, but skilled and semi-

skilled scientific and engineering manpower. The supply of these people, at any one period, is relatively inelastic; the demand is expanding as more companies in the electrical and engineering industries become interested in atomic developments. The Authority is paying its managers what the report implies is near their market rate, but this affects only 300 to 400 out of a total staff of 20,000 and the Authority is paying its other scientific workers and its industrial staff the kind of Civil Service scales that expect skill, experience and the highest integrity all for £1,200 a year. It is quite plain that unless this policy is revised—and quickly—the Authority will find itself in difficulties.

The report contains little indication of what long-term atomic policies the Board is considering; it is exclusively concerned with a backward looking review of technical development, much of which received exhaustive treatment during the atomic energy conference at Geneva. The AEA presents this in a tersely summarised and more accessible form, but little is actually new, beyond the announcement that work is being done at Harwell on reactors making use of ordinary water and reactors built on the "homogeneous" principle.

For the time being, the Authority's relations with industry consist of providing technical help to companies developing atomic power plant designs—the four groups competing for the Central Electricity Authority's first tenders. This is beginning to involve the use of material for which the Authority holds patent rights, and in those cases where the information is not secret, non-exclusive licences are granted to UK companies.

But countries looking to Britain for atomic leadership will search in vain for any hint of the Authority's policy towards the production of "enriched fuels," i.e. uranium, whose fissile content has been boosted by adding more uranium 235 to the natural uranium metal; these are scarce in Britain and needed for certain types of atomic development. Nor is there any hint of the Authority's attitude to the move gaining support in Europe for an atomic community on the Schuman pattern. It is suspected that Britain is not anxious to use up the time of scientists needed at home to help atomic development in other countries. This is a short-term view that ignores the long-term advantage this country would gain from a more generous policy today. And if the key is, in fact, the scale of salaries paid to authority scientists, then this first report—which has all the clarity of expression and felicity of style that has so far stamped official publications about atomic developments—suggests that the effects of Treasury control on the long-term development of the Authority need to be considered seriously—and at once.

The Coal Balance

THE chance of a coal shortage this winter is slight, but not to be ignored. If Britain has an unusually severe winter and coal output remains as disappointing as it has been this summer, there may not be enough coal to go round. If so, the power stations, gas works, iron and steel industry and the railways will be guaranteed the coal they need, and the domestic consumer will get his ration; the shortage will be spread over the rest of industry. The country has now about 2.7 million tons more coal in stock

than it had a year ago, and moreover, coal imports are already running at the rate of 1 million tons a month, which offers about 1½ million tons more foreign coal during the coming six months than the National Coal Board could import last winter. Moreover, exports during this coal winter are likely to be much less than the 6 million tons exported in the winter of 1954-55.

But if coal should become short, imports would not be increased until supplies to industry in general had been cut considerably. Demand for tonnage to import coal cannot

THE NET COST OF FUEL IMPORTS
(£ million)

	Coal			Petroleum		
	1953	1954	Est. 1955	1953	1954	Est. 1955
Imports:						
Crude	...	...	...	218.0	220.5	225.0
Refined products	...	...	...	92.0	91.7	105.0
Total	3.5	16.9	80.0	310.0	312.2	330.0
Exports:						
Coal	62.2	59.1	50.0	...	...	...
Coke	8.6	10.9	10.0	...	...	...
Total	70.8	70.0	60.0	76.8	84.2	75.0
Balance	+67.3	+53.1	-20.0	-233.2	-228.0	-255.0

not be allowed to hamper Britain's imports of iron ore more than it has done already; nor can the country afford the foreign exchange. As the table shows, the inability of Britain's mines to produce as much coal as the country needs has swung the trading account on coal from a surplus

of more than £50 million in 1954 to a deficit of about £20 million this year; and the need for many industrialists to switch to fuel oil has been one element in increasing the net cost of petroleum imports to this country.

The Government has this week begun a campaign urging industrialists to save at least 10 per cent of their coal consumption this winter, which would completely insure against any shortage and would, incidentally, save importing 2 million tons of foreign coal at a cost of about £14 million. Such savings, the National Industrial Fuel Efficiency Service is quite sure, can be obtained with little or no capital expenditure, simply by using space heating equipment more moderately and training stokers properly.

Argentina Devalues

THE decision to devalue the Argentine peso to a new parity of 18 to the US dollar compared with the previous official rate of 5 pesos to the dollar, the preferential rate of 7½ pesos and the official free rate of 13.98 pesos, is more than a devaluation: it is the beginning of a revolution (perhaps a reformation) in economic policy. The intention is to cut away the jungle of differential rates in which Argentine external trade had become entangled during the past decade. This is a devaluation to less than a third of the previous official rate; it will give the peso a sterling equivalent of 50.40 to the pound, compared with the previous 13.98 to the pound, though the black market rate has recently been between 80 and 90 to the pound. It is considered too drastic to be allowed to take immediate, unrestricted effect on the exchange market or on the Argentinian

economy. It is, therefore, being cushioned at a number of points. And for that very reason the Argentine devaluation as an isolated act does not—at least not yet—clean up the Argentine foreign exchange tangle.

The new rate will be used for all imports and exports entitled to the facilities of the official market. But behind the official market will lie a free market in which rates will be determined wholly by the play of supply and demand. This free market in which the sterling rates are expected to settle somewhere between the new parity of 50.4 and the former black market rate of 80 to 90 pesos will be fed with foreign currencies by inward capital movements, financial remittances to Argentina such as claims under insurance policies, and the proceeds of exports not on the official list. The free market will supply exchange for financial remittances from Argentina and for payment for imports not on the official market list. Previously financial remittances, where allowed, were made at 39 pesos to the pound. That rate had, however, acquired a merely academic significance. If remittances can be hastened a depreciation in the free rate and a consequent higher cost of the remittances will be well worth the cost.

The Remittance Problem

THERE is no intention of at once freeing the substantial arrears of financial remittances and the foreign capital, now blocked in Argentina, awaiting repatriation. It is, however, intended to allow full remittance of profits accruing after June 30, 1955 to foreign investment. The blocked remittances that accumulated earlier will be progressively released by quotas as foreign exchange is accumulated. The more realistic rates now quoted for the peso should hasten that accumulation by encouraging Argentine exports which in recent years have been hampered by the differential rates of exchange that discriminated harshly against some of Argentina's primary products.

The impact of the devaluation on Argentina's economy is however being cushioned by special export taxes on those products which will suddenly receive the benefit of the sharp depreciation in the official exchange rate. Part of the peso, proceeds of export bills will be retained and used to subsidise certain imports the cost of which would otherwise have risen and reacted too suddenly on the cost of living. Details of these compensatory taxes and subsidies have not yet been announced. Unless they are operated with restraint and as short-term devices the last state of the Argentine foreign trade and payments structure may be no less entangled than that from which it is being rescued.

Bank Liquidity Prospect

THE full return from the clearing banks for their October make-up, tabulated below, confirms the figures given last week from the statements of the banks individually. Whilst the decline in the banks' advances to the private

sector of the economy seems to have been barely maintaining the moderate rate attained in the two preceding months, the declining trend of deposits has been accentuated. Net deposits rose during the four weeks by only £17 million, whereas in the corresponding periods—covering, however, five weeks—of 1954 and 1953 they rose by £75 million and £60 million. As noted last week, only one of the banks showed any significant increase in investment holdings (Lloyds, by £6.6 million), and the aggregate portfolio rose by a mere £2 million, showing that the

LONDON CLEARING BANKS

	October 19, 1955		Change on	
			Month	Year
	£ million	%†	£ million	£ million
Deposits	6,375.8		+ 31.1	-233.7
"Net" deposits*..	6,125.3		+ 17.1	-249.4
Liquid Assets	2,156.9	33.8	+ 32.0	-107.8
Cash	520.1	8.2	- 5.9	- 11.9
Call money	408.3	6.4	- 13.6	- 28.9
Treasury bills	1,113.0	17.5	+ 50.3	- 99.4
Other bills	115.5	1.8	+ 1.3	+ 32.3
Investments and Advances	4,050.9	63.5	- 14.7	-136.7
Investments	2,085.9	32.7	+ 2.0	-277.8
Advances	1,965.0	30.8	- 16.7	+141.1

* After deducting items in course of collection.

† Ratio of assets to published deposits.

banks' take-up of the cash portion of the new 4 per cent Conversion Stock must have been small. There is no sign of any substantial switching operations, for three of the big banks show no change at all in the total of their portfolios.

This cautious attitude to an attractive issue was evidently dictated by considerations of liquidity. The average liquidity ratio rose during the period by 0.3 per cent to 33.8 per cent, which compares with 34.3 per cent at the corresponding make-up day last year. At this level the banks have only a small cushion to meet the pressure of the seasonal decline in deposits and repayments of floating

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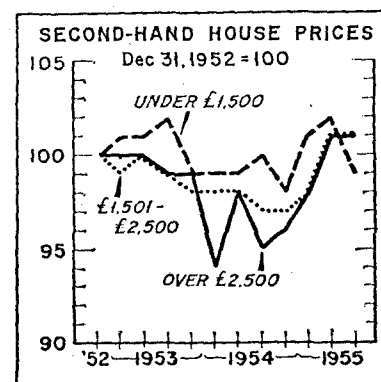
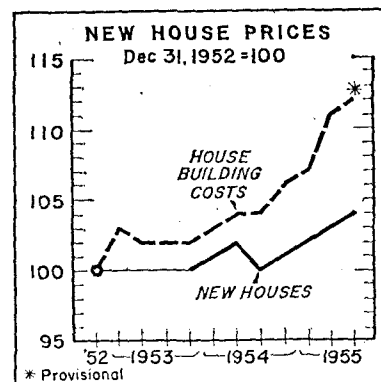
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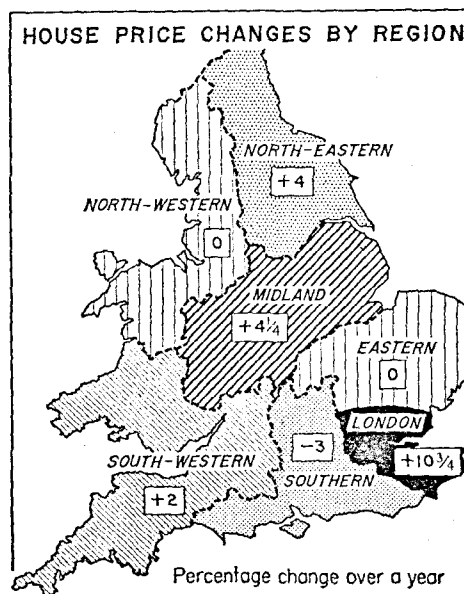
House Prices Stop Rising



A CREDIT squeeze, one reduction in housing subsidies already made, another expected and many of the building societies running short of lending money in the summer months—what effect did those happenings have on house prices? The best indication comes from the indices prepared by the Co-operative Permanent Building Society, which now run up to September of this year. The first chart shows that the price of new houses continued to rise despite the adverse turn in the underlying conditions. The index (basis 1952 equals 100) was 104 for the September quarter compared with 100 in September last year. But it did not rise as fast as did the index of house building prices (from 104 to 112). A suspected distortion in the index of building costs may explain that divergence.

The second chart shows that prices with vacant possession for existing houses have ceased rising, the cheapest class—the up to £1,500 house (up to £2,000 in London) actually shows a significant decline in the latest period.

The cream may already have been skimmed off the housing market in some areas, but the map shows by area and for the best type house built between the wars the percentage increase or decrease at the end of September this year compared with a year earlier. Housing remains at a substantial premium in London.



debt that will occur in the opening months of the new year. Unless the decline in advances speeds up, the liquid position may become very taut then.

Profits from Motors

PROFITS earned by the motor companies are falling into a pattern—but it is the pattern set by the half-yearly statement from Ford Motor rather than that set by Standard Motor for the full year to August 31st. The Ford statement showed that the improvement in earnings lagged behind the rise in output; the Standard report indicated that an increase in sales, thanks to a greater utilisation of capacity, had had a more than proportionate effect on profits. The preliminary reports from British Motor Corporation and Rootes Motors seem to confirm Ford's experience that the rise in labour and material costs is acting as a drag upon earnings. The trading profits of British Motor in the year to July 31st have improved (by about 11 per cent from £20,056,027 to £22,333,776) but that advance is certainly smaller than the increase in sales; and Rootes Motors, which also probably sold more vehicles in the year to July 31st, has actually had to report a slight drop in gross profits (from £3,604,217 to £3,557,325).

EARNINGS AND DIVIDENDS
(£'000s)

Years to July 31	British Motor		Rootes Motors	
	1954	1955	1954	1955
Trading profit	20,056	22,334	3,604	3,557
Taxation	10,277	9,103	2,118	1,809
Net profit	7,145	10,180	1,341	1,357
Non-recurring credits ..	118	549	76	146
Ordinary dividends ..	1,769	2,207	220	230
Retained profits	5,241	8,567	1,142	1,183

All the motor manufacturers, with the "Big Three" leading the field, have costly development programmes on hand. That, now linked with the credit squeeze and the increase in purchase tax, makes for cautious dividends. Standard Motor left its dividend unchanged and this week, to the disappointment of Throgmorton Street, Rootes Motors has also effectively left the payment unchanged, paying 8 per cent on the capital as increased by the 400 per cent free scrip issue. Ordinary stockholders in British Motor have, however, done a little better. A final of 8½ per cent on a capital of £31,839,709 (as increased first by the one for ten rights issue and then by the one for eight free scrip issue) has been added to an interim of 4 per cent paid on a capital of £28,301,963 prior to the free scrip issue. The assumption must be that the old dividend rate of 12½ per cent is being maintained on the new capital after the scrip issue. That is in line with market forecasts. The 5s. ordinary stock units at 10s. offer a yield of 6½ per cent; in contrast the Rootes 4s. units offer a yield of only 4½ per cent at the current price of 7s. xd.

Dumping British Pipes

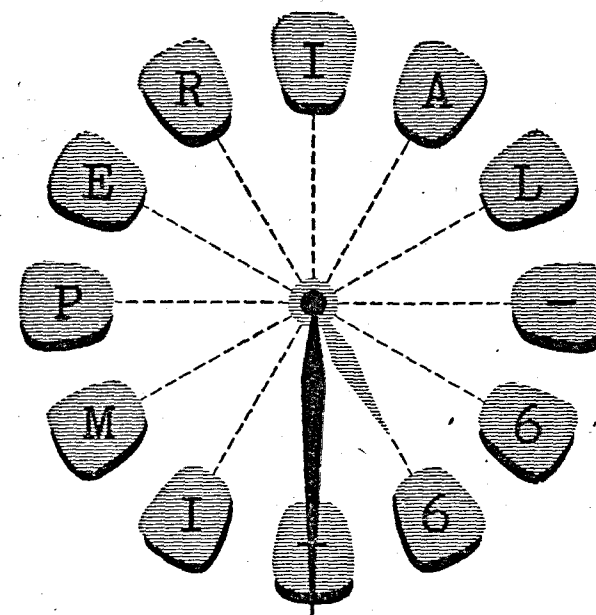
BEFORE British manufacturers of cast iron soil pipes comment upon the United States Tariff Commission's ruling that they have been dumping these pipes on the American market, they are waiting for full details from Washington. It appears that to reach this finding the Commission had to satisfy itself on two points—that the prices charged to American importers were "less than fair value," and that the domestic industry had thereby suffered injury.

British manufacturers have been shipping two kinds of soil pipes to the United States, the standard British type and the American pattern pipe which has the same dimensions except that an extra socket makes it three inches longer. The prices charged to American importers for some of the shipments of British standard pipes appear to have been lower than those charged here and certain discounts allowed on other shipments of the same kind of pipe may have had the same effect. Although most of the fifty or more producers of cast iron soil pipes in the United States manufacture in the eastern half of the country, the Commission argued (by a 4-2 majority) that seven firms operating in California constituted an industry under the terms of the Anti-Dumping Act 1921 and have suffered injury even though the sales of Californian plants are reported to have risen from 66,000 tons in 1954 to an annual rate of 82,000 tons this year against imports of standard British soil pipes of 1,800 tons and 1,600 tons. Sales of all American manufacturers have risen every year since British shipments started and they are reported to be running at the annual rate of 892,000 tons this year against an import rate from Britain of 4,500 tons of American pattern pipes and 3,000 tons standard pipes. Last year British firms sold 3,900 tons.

Once a charge of dumping is held to be proved imports become liable to a special duty levied by the American Treasury equal to the difference between home trade prices and what American purchasers have to pay. But if British firms raise their charges to the level of their domestic prices then no duty is levied. Whether this would price these British standard pipes out of the American market is not yet clear; sales of American pattern pipes, which form more than half British exports, have been excluded from the Commission's finding.

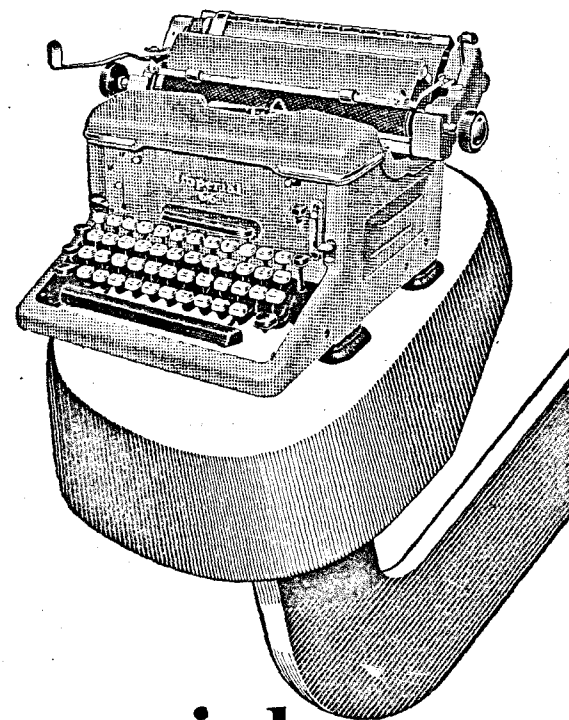
British Contractors Abroad

THE appointment of Sir Alexander Gibb and Partners as consulting engineers for the gigantic high dam scheme in Egypt was announced a day or two after the Board of Trade published the results of its first census of overseas construction work undertaken by British firms. Some fifty firms had contributed information about their foreign activities, including the work of their overseas subsidiaries and associates, in the twelve months to last March. Between them they did about £70 million worth of work, and they had a similar amount of business outstanding at the end of the period. Not all this money finds its way to this country—labour and some materials are obtained



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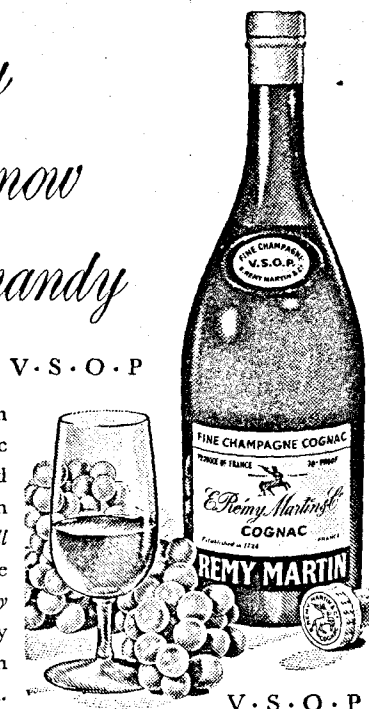
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locally—but this was equivalent to six per cent of the total amount of building and civil engineering work undertaken in this country during 1954. It is mainly the big contractors who are active overseas. About a third of the fifty firms in the census did less than £250,000 each whereas seven contractors did more than £3 million apiece. For many of these bigger firms overseas activities roughly equal their work here; for a few foreign work is more than half their total business.

Although the bulk of this overseas work—£65½ million—was undertaken in various parts of the sterling area, business elsewhere was showing marked signs of growth. British contractors carried out £2½ million worth of new construction in the United States and Canada in the twelve months and secured contracts for a further £6¼ million despite keen competition from local firms. About £2 million worth of work was done in Western Europe (including Turkey) and orders were received for another £11 million. The *Board of Trade Journal*, in which these figures are published, suggests that opportunities for increasing this business should be considerable in Burma, where an immense amount of development is planned, and in the Middle East.

British Petroleum's Dividend

IMMEDIATELY after the autumn budget, in which the Government pressed the button for dividend restraint by increasing the tax on distributed profits, British Petroleum announced a bigger interim dividend on its ordinary capital, 51 per cent of which is owned by the Government. That was the modern touch—in keeping with Lord Strathalmond's earlier forecast that "it should be possible in future to distribute a larger proportion of the profits available." Indeed, the more liberal dividend springs logically from events that are already past. It is no pointer to what British Petroleum or any other company may do in the future. The archaic touch was the decision to declare the interim and future dividends free of tax. That was made "in view of the materially changed position of the company as regards United Kingdom taxation." That obscure phrase may imply a link with the fact that any distribution from the moneys credited to British Petroleum from the consortium would have to be made out of a capital reserve.

The interim dividend of 5 per cent, free of tax, was higher than investors had been expecting. After a full year's dividend of 15 per cent, less tax, for 1954 most forecasts went no higher than an interim of 5 per cent, less tax, for 1955. The £1 ordinary stock units—one of the most active of all securities this year—were immediately marked up from 105s. to 115s., carrying the stock of Burmah Oil (which is a large stockholder in British Petroleum) up with them. The final dividend is now—more than ever—anyone's guess, but Throgmorton Street assumed that it could not be less than 10 per cent, free of tax, making 15 per cent, free of tax, for the whole year. On that assumption the £1 ordinary stock units have been put on a gross yield basis of 4½ per cent.

Merino v Crossbred Prices

AFTER prices of merino wool settled down at a level somewhat above the low point of the new season market, interest shifted to the opening sales in New Zealand, which would provide the first real test of prices for crossbred wool. The results of the first three sales suggest that crossbreds are still the buyers' favourite. Prices opened about 12 per cent below the close of the last season, and then held firm. That is a smaller fall than that suffered by merinos. It did no more than bring New Zealand into line with the level established by smaller offerings of crossbreds in Australia and London, and it left unchanged the differential in price between these wools and merinos. The premium for merinos had shrunk to the point at which crossbreds might have seemed dear, and it was thought by some that the premium would be opened out by a sharper fall in crossbred prices. The opening sales are not necessarily conclusive, and the market was undoubtedly strengthened by demand from East European countries.

The new series of London wool sales has also gone well. Competition is keen and the bidding for certain types of wool suggests that buyers have allowed stocks to fall too low for comfort, and are willing to pay premiums for spot supplies in London.

Respite for Small Savings?

SAVING through the national savings movement has recently been flagging. In the last week for which figures are available, that to October 22nd, withdrawals exceeded new savings by £2.3 million—whereas in the corresponding week of 1954 there was a net surplus of new saving of £2.6 million. In this particular week the outflow this year was prompted in part by the pre-budget buying spree in goods expected to be taxed. But "small" savings have been showing a deterioration on the year ever since the beginning of July. By this time last year the inroads made in the holiday season into holdings of savings certificates, defence bonds and deposits in the post office and trustee savings banks had been more than made good; this year dissaving through these channels has continued in the early autumn. Between the beginning of July and the third week in October receipts fell short of repayments by £33.8 million; in the corresponding period of 1954 they exceeded repayments by £2.6 million.

All four channels of national savings have been affected, though defence bonds have fared worst. It is welcome, therefore, that a big stimulus has been given to purchasers of new defence bonds, which from November 1st carry interest at 4 per cent, against 3½ per cent on the previous issue. But a boost has also been given to savings certificates and deposits in the trustee savings banks. An increase in the permitted maximum of holdings of certificates from 1,000 to 1,200 (i.e. from £750 to £900 if they all belong to the current issue) was announced by the Chancellor in his budget speech; and most trustee savings banks that

maintain special investment departments are raising interest rates by ¼ per cent on deposits in these departments (which may normally be withdrawn only after a month's notice). Existing rates are generally 2½ per cent or 3 per cent; the rate on deposits in the ordinary departments is 2½ per cent, and is not being changed.

The BSI's Year

ONE of the new features in the work of the British Standards Institution is the amount of time that now has to be allotted to international standards and to consumer goods. The BSI's annual report for 1954-55 says that the number of committee and sub-committee meetings on international standards so multiplied during the year that it ate into the time available for discussion of specifically British standards. There is little likelihood of this trend being reversed. Internationally agreed standards are having an increasing influence on those drafted for use in this country, and are of considerable importance to exporting industries.

Work on standards for consumer goods began in earnest when the utility schemes were ended in 1952, and although a great deal of time has been spent in discussing draft standards for different industries, progress has been erratic. Most headway has been made in the furniture industry, where a comprehensive series of tests for durability have been evolved. More than 300 manufacturers, accounting for half the output of the industry, now use these tests and sell their furniture with the BSI mark attached, while the principal trade association in the bedding industry, accounting for 85 per cent of the output, makes the use of BSI standards a condition of membership. In contrast, little or no headway has been made in arriving at acceptable standards for textiles: partly because of technical difficulties in devising tests, partly because of arguments about the level of quality that standards should incorporate and the section of the textile industry which should be responsible for making such a cloth is up to standard. The alternative, that of labelling textiles, has been considered by the BSI to the extent of setting up a committee and distributing questionnaires to women's organisations—but only the most incorrigible optimist would feel that these steps have much chance of surmounting the stonewall opposition of large sections of the trade.

Industrial Assurance Records

TO cap the figures recently issued by the Industrial Life Offices the annual report of the Industrial Assurance Commissioner has now been issued. It confirms the steady, unspectacular progress that industrial (home service) life assurance has made since the war. Records were established last year in new sums assured, total premium income and aggregate funds. In one respect only is ground being lost; the number of new policies being issued and the total

number of policies in force is falling each year. These are the salient figures:

INDUSTRIAL ASSURANCE RECORDS
(£ million)

	1952	1954
New sums assured	278.8	287.1
Premium income	143.0	148.4
Total funds	969.1	1,034.3
Number of new policies issued ('000)	6,016	5,885
Policies in force ('000)	121,200	121,500
Average expense ratio (companies)	30.5	29.9
Average expense ratio (societies)	35.3	35.0
Average lapse ratio (companies)	18.3	17.8
Average lapse ratio (societies)	22.1	20.8

Industrial life assurance has survived more than its fair share of criticism through its century of existence. To-day it still stands as an important contributor to personal savings in the strict sense of regular collection, weekly or monthly, from the homes of policyholders. The £62.5 million of net addition to funds last year, though much smaller than the increase of £202 million in ordinary life and annuity funds, still represents a significant proportion of personal savings as a whole.

Fourteen companies and 107 collecting friendly societies do industrial life assurance, but the companies and 12 of the societies accounted for 99.8 per cent of the business last year. The expense and lapse ratios—the main targets of the critics—continued to move in the right direction. The lowest ratio of all expenses, including superannuation and bonuses, was as usual that of the Co-operative, 27.4 per cent, followed closely by the Prudential with 27.7 per cent. The Pearl, with a lapse ratio of 12 per cent, and the Liverpool-Victoria, with one of 14.6 per cent, had the lowest lapse record again amongst the companies and the big societies.

SHORTER NOTES

Shell Chemical Company and Fisons are embarking on a joint project for fertiliser production. Shell will spend £6.5 million on plant to convert refinery gases into ammonia and nitric acid; Fisons will in turn build a £4.5 million plant to convert a proportion of this ammonia into fertiliser.

★

The last two of the six references to the Monopolies Commission that were announced by the President of the Board of Trade in June have now been formally placed before the Commission. The first concerns the main classes of chemical fertilisers, and the Commission is directed to report whether conditions of monopoly as defined in the Act exist and how these effect the public interest. The second is a general inquiry into agreements and arrangements among suppliers for common prices and collusive tendering.

★

British Petroleum is to build a £6.5 million plant for aviation spirit at the Kent Oil Refinery, the estimated capacity being 130,000 tons a year and the installation should be in operation by 1958. The expansion in air

transport has led to a substantial increase in the demand for high octane aviation spirit in spite of the fact that almost all military aircraft now operate on a mixture of kerosine and low-octane petrol; the new plant will supplement production from the re-opened alkylation units at Abadan.

By declaring an ordinary dividend of 16 per cent for the year to June 30th on a capital of £3,870,684, as increased by the 25 per cent free scrip issue, Crompton Parkinson has effectively paid the same dividend as in 1953-54. In the latest financial year both earnings before tax (up from £2,047,291 to £2,236,420) and profits after tax (up from £764,125 to £899,532) show a slight improvement.

Company Notes

BROOKE BOND is one of the largest, perhaps the largest, tea distributors in the world with a turnover in 1954-55 of £87 million. It produces profit figures for the year ended June 30th, the year of the greatest tea boom in memory, that at first glance seem miserable. Group profits after tax were down from £1,199,194 to £337,492. The parent company—the British tea distributing business—actually made a loss of £592,550. The market at first looked askance at the figures; the 5s. ordinary shares that had been 16s. 3d. dropped to around 15s. 9d. Then they quickly turned upwards and had reached 16s. 9d. before the full accounts came out. Those accounts tell another and more heartening story. The bad times are past.

Mr John Brooke—the Monopolies Commission should be greatly reassured—now discloses that the company last year subsidised its customers to the tune of £1,200,000 and that it was at one time losing a shilling on every pound of tea sold. He claims that those figures reflect a "deliberate and sustained effort to stave off increases in the price of tea to the British housewife." Evidently nothing except the company's plantation interests overseas has prevented it from showing a big actual loss in the year now ended. Those who knew the tea trade knew that though retail prices were rising distributors were selling their stock below replacement cost. But a year ago when Mr Brooke gave a warning that supply and demand were only marginally out of balance, cynics proclaimed that he had read the market wrong and wanted the price lower. He evidently did, and his speech temporarily brought the market down. But it is also now clear that he sold at a loss with his eyes open. He may indeed have misread the market too, but what is not so fully understood is that an organisation of the size of Brooke Bond can never do anything other than sell stock below replacement cost if markets are booming. It is physically impossible for them to vary prices and

relabel their packets quickly enough or to buy exceptional quantities without adding to the rise. The very fact that Brooke Bond has maintained its dividend at 12½ per cent shows that the bad phase is over, and now the board—not given to over-confidence—reports that earnings this year are excellent to date and the prospect is favourable. What the last year's trading has done is to leave the group short of working capital. Cash is down from £2,514,185 to £1,860,415. Bank overdrafts are up from £1,455,868 to £2,087,437, and creditors from £4,175,722 to £6,236,680. Therefore the company proposes to raise fresh capital.

DEBENHAMS. Not long ago the 10s. ordinary stock units of Debenhams were much in the eye of the take-over bidders, who fancied the large undisclosed property values of this, the biggest of the department store groups. They failed to gain control and the stock has settled down to a more sedate life. The stockholder should not forget those asset values but he should not expect much sparkle in the stock or in the dividends until a new bull market brings the asset values—and the bidders—out of hibernation. The reason for that is to be found not in the latest results (sound but unexciting) but in another aspect of the company's recent history. Last February the directors announced their intention of spending about £6 million on reconstruction within about three years. About £2 million was to come from retained profits and the other £4 million from a redeemable debenture (an obvious alternative to the release of hidden asset values by the sale of freeholds). But the loan was postponed owing to "uncertainty in the money market." Since then the new issue market has grown more difficult and the stock is still unissued. It may not be floated off for some time. Stockholders must therefore be prepared, unless the directors drop the reconstruction pro-

The new 63-day Treasury bill, the coming introduction of which was discussed in *The Economist* last week, made its debut at yesterday's tender. The offering then of a maximum of £260 million of bills to be taken up in the coming week included £60 million of the new maturity. The remainder comprised the usual 91-day bills.

The controlled prices of domestic coal in London will rise by 1s. 8d. a ton next week, as a result of increases in distributive costs. The Minister of Fuel and Power has conceded this increase to cover general increases in merchants' costs, and in particular newly increased wages for workers who deliver the coal.

gramme altogether (an unlikely decision), for conservative financing.

Against this background the decision to maintain the ordinary dividend for the year to July 31st at 27½ per cent makes sense. In other circumstances the advance in profits—the group's trading profit went up from £4,797,347 to £5,025,131 and the net profit from £1,609,970 to £1,892,128—could easily have justified an increase in dividend. But the directors put the extra earnings back into the business—and that seems likely to remain their policy for the time being. Hence in buying the 10s. stock units at the current price of 37s. 9d. on a yield of about 7.3 per cent the investor has to look a little further than just around the next corner. But if he does the stock pays for its keep and the asset values are still there.

TUBE INVESTMENTS. The preliminary statement issued by Tube Investments for the year to July 31st sets out in more detail the profit figures that the directors revealed when they announced the recent rights issue, of 7,247,431 ordinary shares at 22s. 6d. a share. Then they indicated that profits after depreciation would be of the order of £8,500,000 for the year to July 31st (compared with £5,741,000); the exact figure is £8,526,577 (compared with £5,741,824). Gross profits before depreciation rose a little more sharply—from £7,685,666 to £10,800,864. Although taxes are over £1 million higher at nearly £4,400,000, net earnings have risen from £2,701,036 to £4,442,730. As they promised at the time of the rights issue, the ordinary dividend on the original capital is to be 22½ per cent, taking only £937,636 from net profits. The rights issue was made on bonus terms and the directors then indicated that the 1955-56 dividend would be equivalent to about 14 per cent on the new capital.

FISONS. The latest results of Fisons—for the year to June 30th—are mildly disappointing. The disappointment is not so much with the ordinary dividend as

with the earnings. The final dividend has been left unchanged at 10 per cent, making 15 per cent for the year, on the capital increased by the rights issue to £5,804,863. That is as much as was expected. What came as a mild surprise was the fall in the consolidated trading profit, before all charges, from £3,817,154 to £3,683,949. A year ago the chairman reported that the rise in costs might reduce the margin of profit on fertilisers but he then hoped that an increase in sales would counterbalance the effect on total profits. Have sales failed to come up to expectations? Or have costs risen more sharply than he then anticipated?

Taxes, however, are also down (from £1,932,247 to £1,384,029) and on the most strict reckoning net earnings available for equity distribution have risen slightly—from £906,363 to £927,139. Allowing for the new rate of distributed profits tax that means that the dividend of 15 per cent is covered by earnings of about 25 per cent. The £1 ordinary stock units fell 9d. to 56s. 6d. on the preliminary results. They offer a yield of 5½ per cent.

JOHN I. THORNYCROFT. This group has an interest in several industrial fields, including heavy commercial vehicles, marine engineering, ship building and specialist ship repairing. Specialisation rather than long-run production is the keynote. One example of its versatility was the installation of the stabilisers on the *Queen Elizabeth*. For the fourth consecutive year earnings from these activities have expanded. The report for the year to July 31st shows that a gross profit of £1,061,304 was earned

from a turnover of about £11 million, compared with a profit of £826,853 in 1953-54. Profits were thus close to the 1950-51 record and the directors had no difficulty in maintaining the dividend rate of 15 per cent on the ordinary capital of £1,500,000, as increased by the 25 per cent free scrip issue a year ago. All the industrial divisions of the group have been active and though the total turnover of the commercial vehicle division was slightly lower the value of vehicle exports increased. The group still has a number of orders in hand for some of its specialised vehicles. But competition in export markets is growing and like other companies in the industry a shortage of labour is limiting output and forcing up costs.

	Years to July 31,	1954	1955
Consolidated earnings:—			
Trading profit		826,853	1,061,304
Exceptional credits		253,105	128,262
Depreciation		142,184	142,344
Taxation		474,314	522,617
Net profit		467,066	562,254
Ordinary dividends		99,000	129,375
Retained earnings		366,191	361,141
£1 ordinary share at 48s. yields 6 13s. per cent.			

The shortage of labour and a slower flow of materials into the factories put a brake on the capital development programme that the directors had planned. Hence the total of liquid assets rose from £1,506,445 to £1,646,911. Of the total more than £750,000 was put in Treasury bills and deposits by the end of July. The chairman, Sir John E. Thornycroft, emphasises that liquid assets have been accumulated in anticipation of further investment in fixed capital and he draws attention to the £233,000 of outstanding capital commitments.

LONDON STOCK EXCHANGE

Next Account begins: November 16th
Next Contango Day: November 16th
Next Settlement Day: November 8th

A SHARP recovery in gilt-edged securities followed the publication of the more encouraging gold and dollar reserve figures for October and the recovery in sterling. Earlier they had been drifting downwards in a fairly inactive market. On Wednesday British Transport 3 per cent 1978/88 gained ½ to 76½, but the rally was not fully held on Thursday. The new Mauritius 4½ per cent 1972/77 stock opened at ½ premium on Monday and improved to 1 premium.

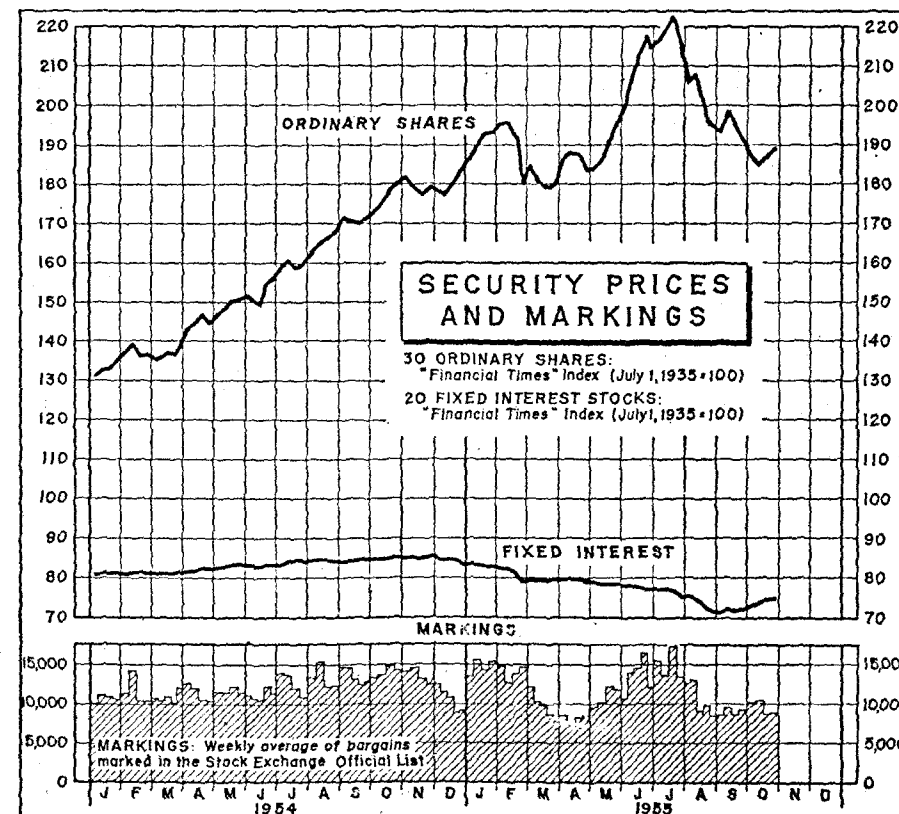
At the close of the old account industrial equities had come down slightly from the levels reached immediately after the Budget. The new account opened on a hesitant note but some bear covering in a market still short of stock produced a slight improvement in prices. Building shares hardened and stores improved; Marks and Spencer "A" touching 67s. 3d. and Woolworth 61s. Harrods new shares were quoted at 1s. 7½d. premium, but William Whiteley lost 1s. 6d. following the chairman's statement. The possibility of higher prices for newsprint revived interest in Bowater Paper and A. E. Reed, which both improved 2s. 6d. on Wednesday. Argentine issues were helped by the new economic measures. International Nickel attracted American support in front of the interim dividend and were ½ higher on the week at \$138 though at one time they had slipped back to \$132½. Steels were active on reports of expansion in the industry; Hadfield's offer sent the Millspaugh shares up 6d. to 8s.

Trinidad Leaseholds gained 3s. 9d. to 41s. 6d. in anticipation of the results in a market that was for oil shares until Thursday. The strength of sterling was one factor contributing to the weakness of Kaffirs and although Brakpan and Springs were helped by favourable monthly returns other shares fell to their lowest points for the year. Free State Geduld were extremely weak, dropping to 72s. 6d. The peak price for spot tin stimulated demand for tin shares, Beralit rising to 35s. 6d. and Amalgamated Tin to 12s. 3d.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Oct. 26 ...	188.2	102.96	4.25	5.24
" 27 ...	193.6	102.54	4.29	5.10
" 28 ...	192.0	102.60	4.29	5.14
" 31 ...	191.1	102.49	4.33	5.16
Nov. 1 ...	191.3	102.47	4.33	5.16
" 2 ...	193.2	102.64	4.30	5.15
1955, High.	223.9	115.97	Total bargains 1955	
" Low.	175.7	98.23	Oct. 26	7,349
(Mar. 15)	(Sept. 2)	" 27	8,849	
1954, High.	184.0	118.10	" 28	9,834
" Low.	131.1	111.78	Nov. 1	9,462
(Jan. 1)	(Jan. 5)	" 2	9,421	

* July 1, 1935=100. † 1928=100.



Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Netherlands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION (%) (1948 = 100)												
1938.....	118	82	78	90	193	132	76	101	89	81	67	64
1953.....	184	114	121	127	251	193	142	162	144	142	111	149
1954.....	210	124	129	139	282	236	145	176	158	151	115	...
1955, March.....	234	129	136	156	311	250	140	196	176	173	126	...
" April.....	233	134	133	153	318	240	...	185	165	143	132	...
" May.....	232	134	134	157	332	255	152	198	165	151	128	...
" June.....	251	135	132	159	332	255	...	190	181	165	128	...
" July.....	...	118	88	148	315	255	...	...	165	110	67	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas*	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
VALUE OF EXTERNAL TRADE (%)												
IMPORTS (c.i.f.)												
Monthly averages or calendar months												
1938.....	50	1,922	135	3-84	505	1-2	3-45	0-94	118	99	174	12-5
1953.....	1,106	10,094	573	121-52	1,334	592-6	15-28	124-75	738	543	680	124-3
1954.....	1,416	10,624	669	126-84	1,611	823-1	14-99	125-05	891	606	766	111-6
1955, March.....	2,077	12,678	682	139-89	1,996	886-7	20-86	142-12	1,030	730	926	142-9
" April.....	1,798	11,134	678	149-44	2,020	887-2	26-98	137-53	961	605	892	130-7
" May.....	1,760	11,732	623	139-81	1,914	1,119-2	17-00	146-67	921	655	835	117-3
" June.....	1,841	11,075	653	146-94	1,947	1,189-5	15-19	146-26	1,029	683	810	142-4
" July.....	1,829	11,567	674	123-92	2,125	...	...	...	1,064	...	727	100-5

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	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
1953.....	1,099	9,414	508	117-24	1,542	282-1	9-50	77-50	672	303	638	92-4
1954.....	1,321	9,597	546	126-03	1,837	376-0	9-59	85-24	755	347	685	78-2
1955, March.....	1,462	12,121	582	136-72	2,221	290-6	10-63	90-15	842	423	584	75-6
" April.....	1,400	11,084	520	153-89	2,013	237-2	8-63	93-56	766	376	662	51-6
" May.....	1,473	10,175	585	137-30	2,165	246-7	8-10	94-42	751	334	744	58-9
" June.....	1,519	11,977	632	139-96	2,013	206-5	7-51	95-17	865	368	774	64-5
" July.....	1,576	9,454	578	133-61	2,159	...	...	...	763	...	750	50-5

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	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	34	20	0-4
1953.....	7	680	65	4-28	208	310-5	5-78	47-25	66	240	42	31-9
1954.....	95	1,027	123	0-81	226	447-1	5-40	39-81	136	259	81	33-4
1955, March.....	615	557	100	3-17	225	596-1	10-23	51-97	188	307	342	67-3
" April.....	398	50	158	4-45	7	650-0	8-35	43-97	195	229	230	79-1
" May.....	287	1,557	38	2-51	251	872-5	8-90	52-25	170	321	91	58-4
" June.....	322	902	21	6-98	66	983-0	7-68	51-09	164	315	36	77-9
" July.....	253	2,113	96	9-69	34	...	...	...	301	...	23	50-0

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas*	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
VOLUME OF EXTERNAL TRADE (%) (1948 = 100)												
IMPORTS												
1938.....	266	93	118	...	249	...	79	88	118	100	94	277
1953.....	207	116	169	119	271	...	111	175	156	141	118	215
1954.....	288	128	205	129	341	...	108	180	196	161	134	215
1955, March.....	444	147	204	149	412	...	144	199	223	187	149	277
" April.....	371	128	...	161	414	...	116	193	207	161	...	...
" May.....	371	133	199	149	392	...	117	210	196	175	148	211
" June.....	395	126	...	151	390	...	104	...	220	172	...	...
" July.....	395	...	...	129	426	...	113	...	...	144	...	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas*	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
EXPORTS												
1938.....	147	110	139	...	530	...	136	100	156	123	111	107
1953.....	270	145	208	209	783	...	183	150	292	144	145	182
1954.....	330	158	224	243	970	...	196	163	344	166	158	172
1955, March.....	361	187	239	275	1,157	...	205	172	378	198	146	134
" April.....	335	167	...	300	1,061	...	167	174	350	171	...	...
" May.....	354	149	242	269	1,131	...	154	174	349	150	164	107
" June.....	365	174	...	266	1,048	...	143	...	402	169	...	...
" July.....	385	...	...	260	1,118	...	171	...	...	151	...	...

(*) 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. (†) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxembourg. Italy includes Trieste. (‡) New drachmas introduced May 1, 1954 (1 new drachma=1,000 old drachmas). (§) Thousand million drachmas. (||) Average for first quarter.

EXCHEQUER RETURNS

For the week ended October 29th there was an "above-line" surplus (after allowing for Sinking Funds) of £18,124,000 compared with a deficit of £11,024,000 in the previous week and a surplus of £14,719,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £11,763,000, bringing the total cumulative deficit to £615,927,000 (£449,138,000 in 1954-55).

£000	Estimate, 1955-56	April 1, 1954 to Oct. 30, 1954	April 1, 1955 to Oct. 29, 1955	Week ended Oct. 29, 1954	Week ended Oct. 29, 1955
Ord. Revenue					
Income Tax.....	1877,400	524,389	561,084	18,082	33,415
Sur-tax.....	136,000	36,800	33,000	1,100	1,000
Death Duties.....	185,000	105,600	103,900	2,600	2,800
Stamps.....	74,000	41,270	42,500	1,800	1,400
Profits Tax & E.P.T.	180,000	103,400	115,100	6,000	4,600
Excess Profits Levy	25,000	53,400	14,000	1,700	300
Special Contribution	1,000	730	300	...	...
and other Inland Revenue.....					
Total Inland Rev.	2,478,400	865,589	869,884	31,082	43,515
Customs.....	1131,700	654,765	671,419	23,755	26,330
Excise.....	811,050	411,130	443,645	20,850	16,410
Total Customs and Excise	1,942,750	1,065,895	1,115,064	44,605	42,740
Motor Duties.....	80,000	17,196	20,030	1,035	1,167
PO (Net Receipts).....	25,000	10,100	11,800	2,650	2,700
Broadcast Licences	24,000	19,840	22,798	96	80
Sundry Loans.....	175,000	80,639	72,977	445	855
Total	4,725,150	2,059,260	2,112,552	79,313	91,058
Ord. Expenditure					
Debt Interest.....	600,000	323,167	362,000	445	3,549
Payments to N. Ireland Exchequer.....	53,000	26,417	30,567	2,022	2,317
Other Cons. Fund.....	10,000	5,001	6,038	22	29
Supply Services.....	3,898,850	1,918,584	1,951,718	61,525	66,847
Total	4,561,850	2,273,168	2,350,324	64,014	72,743
Sinking Funds.....	36,000	19,680	19,759	580	189
"Above-line" Surplus or Deficit	233,588	257,531	14,719	18,214	...
"Below-line" Net Expenditure	215,550	358,396	1,800	11,763	...
Total Surplus or Deficit	449,138	615,927	16,519	6,361	...
Net Receipts from:					
Tax Reserve Certificates.....	220,936	98,862	15,532	5,480	...
Savings Certificates.....	7,600	10,200	500	900	...
Defence Bonds.....	7,422	22,778	223	4529	...

FLOATING DEBT

(£ million)					
Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Gap	Public Depts.	Bank of England	
1954					
Oct. 30	3,440-0	1,514-3	274-8	...	5,229-0
1955					
July 30.....	3,280-0	2,049-0	265-5	...	5,594-6
Aug. 6.....	3,300-0	1,999-1	272-1	...	5,571-2
" 13.....	3,310-0	1,969-5	298-3	...	5,577-8
" 20.....	3,320-0	2,027-8	257-8	...	5,605-6
" 27.....	3,550-0	2,008-7	249-7	...	5,608-4
Sept. 3.....	3,380-0	1,998-5	265-0	...	5,643-5
" 10.....	3,420-0	2,023-3	249-9	...	5,633-3
" 17.....	3,450-0	2,036-2	251-0	...	5,737-2
" 24.....	3,480-0	2,000-0	263-4	...	5,743-4
" 30.....	5,498-3		258-4	...	5,756-7
Oct. 8.....	3,480-0	2,025-9	260-1	...	5,766-0
" 15.....	3,470-0	1,810-2	272-3	2-3	5,554-8
" 22.....	3,440-0	1,868-5	272-3	...	5,580-7
" 29.....	3,440-0	1,871-4	258-2	5-0	5,574-6

THE MONEY MARKET

Stringency has returned in Lombard Street. The Bank return shows an increase in discounts and advances of £15 million, to £35.3 million, in the week to Wednesday last. In the first three days of this week market supplies of credit have been adequate for demands, though on Tuesday and Wednesday some houses only just avoided recourse to penal loans. Overnight money from outside banks was taken at rates up to 4 per cent. No relief through special purchases of bills has been given by the Bank during the week.

At the Treasury bill tender on Friday last the offer of £250 million was still wholly in 91-day bills; at yesterday's tender the offer consisted of £60 million of the new 63-day bills and £200 million of three months' bills. The market maintained its tender rate at 498 1/8d. per cent last Friday; total applications rose by £9 million to £381.7 million, that is by fractionally less than the allotment, so that the proportion of the market's bid to be allotted rose slightly from 51 to 52 per cent.

The price of gold has fallen in sympathy, from 250s. 3 1/2d. an ounce on Thursday last to 248s. 8 1/2d. at the fixing this Thursday. The price of silver fell slightly again at the end of last week, to 79 1/2d. an ounce spot.

The outflow of notes in the week to Wednesday reached £4.8 million, compared with an outflow of £7.7 million in the corresponding week last year.

LONDON MONEY RATES

Bank rate (from 31%, 24/2/55)	%	Discount rates	%
Bank bills (max)	4 1/2	Bank bills: 60 days	4 1/2
Deposits rates (max)	4 1/2	3 months	4 1/2
Banks.....	2 1/2	4 months	4 1/2
Discount houses ..	2 1/2	6 months	4 1/2
Money Day-to-day..	2 1/4	Fine trade bills:	
Short periods.....	2 1/4	3 months	5-5 1/2
Treas. bills 2 months	4 1/2	4 months	5-5 1/2
3 months	4 1/2	6 months	5 1/2

* Call money.



"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

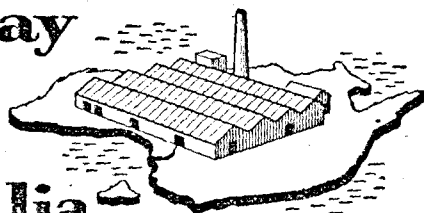
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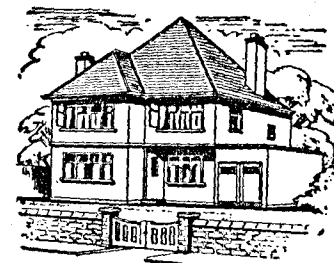
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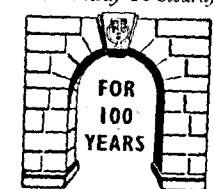
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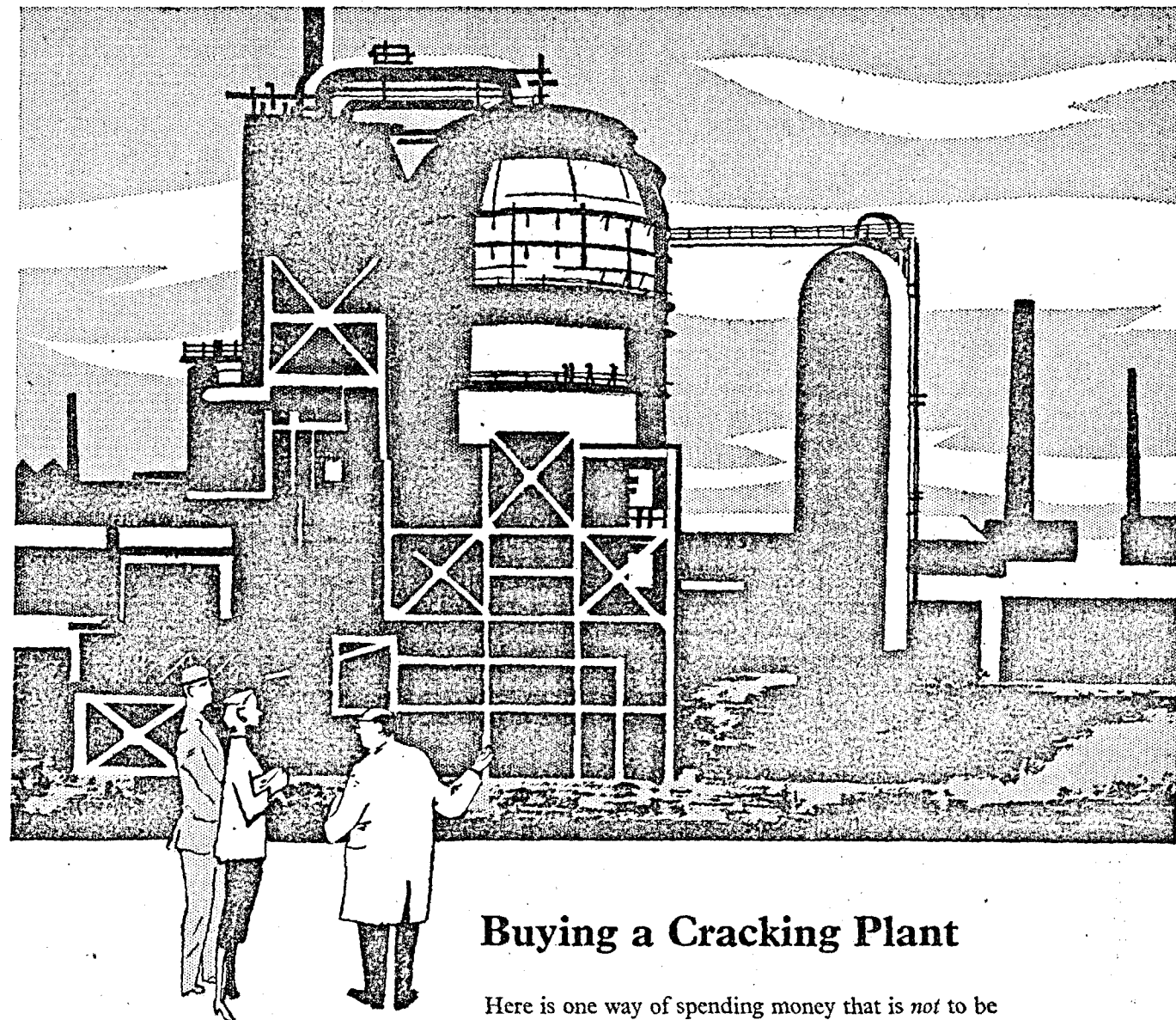
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RONEO LIMITED

INCREASED TURNOVER IN ALL SECTIONS

35 PER CENT OF EXPORT SALES TO DOLLAR COUNTRIES

SIR GREVILLE MAGINNESS ON TASK OF HALTING INFLATION

The forty-eighth annual general meeting of Roneo Limited was held on November 1st at the Connaught Rooms, Great Queen Street, London, W.C., Sir Greville S. Maginness, KBE (chairman of the company), presiding.

The secretary (Mr A. C. Hall) read the notice convening the meeting, and the representative of the auditors, Messrs Barton, Mayhew & Co., read the report of his firm.

The chairman said: Ladies and gentlemen, the Directors' Report and Accounts for the year ended June 30, 1955, have been in your hands for the requisite period and I assume that you agree to take them as read. (Agreed.)

TRADING

During the year under review all sections of your business, both at home and abroad, showed satisfactory increases in turnover compared with last year and to this can be attributed the main cause for the satisfactory results now placed before you. When I last addressed you I informed you that the demand for our various products was increasing and that your Board had decided to spend the sum of £400,000 to increase our productive capacity. I went on to say that we should derive some advantage from this expansion programme during the year under review, but that we should not obtain the full benefit until the current year. Owing to delays entirely outside our control, we have not been able to adhere to the time-table then fixed, and the position now is that we shall reap some gain from these additional facilities during the current year, but the benefits of the entire capital outlay will not be reflected until the subsequent year. In the meantime I am happy to be able to report that the demand for our products generally still remains at a high level. Whilst this position is a cause for satisfaction we are—in common with other Companies engaged in manufacturing and retailing businesses—constantly faced with increasing costs. In this connection it cannot be too often emphasised that the standards of living of the people of this country depend upon our exports, and these continuous rises in costs constitute a serious threat to our ability to maintain—let alone expand—our export trade in face of keener foreign competition.

Having given you a general outline of the state of the Company's affairs from a trading point of view, I now propose to deal with the Accounts and the activities of the various sections of your business.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The profit on Trading before providing the sum of £59,916 written off the cost of shares in a Subsidiary Company—to which I shall refer later—is £743,470, as compared with £619,862 for the previous year, representing an increase of nearly 20 per cent. As you will see from the Accounts, we have brought back £75,000 representing Taxation Reserve no longer required, and, after pro-

viding for taxation, depreciation, and amounts written off, the net profit for the year is £256,603, against £205,143 for 1954. The profit brought forward was £292,678, to which has to be added £256,603 for this year, making a total of £549,281. Your Board proposes to appropriate the sum of £181,028 to General Reserve and to transfer £20,000 from Investment Reserve, bringing the General Reserve to £540,000. You will note that the Investment Reserve now stands at £10,000, against the cost of investments of £25,122.

The Preference dividends on the 6 per cent and 10 per cent Stocks have already been paid, together with an Interim of 5 per cent, less tax, on the Ordinary Stock and it is now proposed to pay a Final of 10 per cent, less tax, on the latter, thus making a total of 15 per cent, less tax, for the year. After payment of the foregoing Dividends the balance to be carried forward to next year will be £285,302.

DUPLICATING MACHINES AND SUPPLIES

This section of the business continues to make satisfactory progress and sales once more showed a substantial increase compared with the previous year, reaching a new record in the history of the Company. I am gratified to be able to report that our Electronic Stencil is becoming ever-increasingly popular with users of Roneo "500" Duplicators, thus enabling the scope of possible work on a Stencil Duplicator to be considerably widened. During the past year we have extended the installation of Electronic Stencil Cutting Machines to all our Branches in order to provide prompt service to our many customers throughout the country who are interested in this unique feature.

FILING SYSTEMS

Roneo Lateral Filing has fully justified the confidence which I expressed last year when this new System of Filing was put on the market, and the demand is such that we have had to take special measures to increase production to meet the requirements of our customers. Furthermore, interest in our Visible "30" System continues to grow and sales both at home and abroad have attained a high level.

VISIBLE RECORDING EQUIPMENT

Here again our facilities are sorely taxed to meet the ever-growing demand for our many lines of Recording Systems, the principal of which are the well-known Roneodex Visible Recording System, Stripdex Reference Equipment, Production Charting, Mechanical Posting Equipment, and Card Indexing Systems. The uses of these various Recording Systems are many and of general application to any business, large or small. The Company is at all times only too pleased to discuss with those interested their particular problems and to advise on the best

Visible Recording Equipment to meet their needs.

EXPORTS

For many years past it has been my pleasure to report a steady increase in our Export trade. Notwithstanding the increased costs to which I have already referred, we reached last year another record in the sale of all our lines, both in volume and value. This has only been made possible by the pursuance of an aggressive sales policy and our representatives have covered an ever-increasing field in pursuit of business. These efforts have enabled us to establish ourselves in many markets as Consultants to Foreign Architects, Government Departments and Banks in the matter of Office Equipment, Records and Systems.

Our total sales abroad last year were over 40 per cent greater in value than they were during the previous year and this is an achievement which I feel not only calls for special comment, but reflects great credit upon all those who have contributed to this gratifying result, which is all the more noteworthy because of the continued high tariffs, import and currency restrictions which hamper freedom of trade with many markets.

Our sales to dollar countries represented no less than 35 per cent of our total Exports—a figure which is much in excess of anything which we have hitherto accomplished.

In order to still further strengthen our business in dollar markets we have acquired during the past year the whole of the shareholding of a Company in Canada. It will take a little time to organise the business on a satisfactory basis but we are satisfied that from the long-term point of view it will prove to be a sound investment. This is the Subsidiary Company to which I referred when dealing with the Consolidated Profit and Loss Account.

NATIONAL SITUATION

At our Annual Meeting last year, in giving you my assessment of the industrial position and prospects of this country, I felt able to strike a fairly optimistic note. My optimism was, however, qualified by some concern as to whether we should be able as a nation to maintain exports at a sufficiently high level. In this connection I referred to the increases in our internal costs which have handicapped us in competition with manufacturers from other countries and particularly from Western Germany.

In the past year weekly wage rates, as measured by the Ministry of Labour's Index, have increased by over 6 per cent and the indications are that average weekly earnings have increased even more. The result has been that prices have inevitably risen too, so that the final outcome of the whole process is that a further twist has been given to the inflationary spiral and the task of many exporting industries in the face of keen foreign competition has been made more difficult. In dollar markets and some others we still secure some benefit from the devaluation

of 1949, the full effects of which are probably not yet spent.

To my mind the most important immediate problem we have to solve in this country is that of stopping inflation in conditions when our resources are fully employed. Mr Gaitskill recently coined the graphic phrase "brimful employment" to describe our present position. Although the Ministry of Labour's figures indicate that there are more than twice as many unfilled vacancies notified to the labour exchanges as there are persons unemployed registered at those exchanges, the Ministry itself believes that these figures understate the extent by which the demand for labour outruns the supply because many vacancies in present circumstances are not notified individually to the exchanges. The overall figures, moreover, do not paint the picture in sufficiently vivid colours because the unfilled vacancies naturally tend to occur in industries and trades in which there are virtually no people unemployed. The effect of these conditions is to distort our whole economy and to introduce into it a degree of rigidity which is quite out of keeping with our need at the present time to have the maximum flexibility in using our resources of manpower and materials where they can be most profitably employed from the standpoint of our long-term economic well-being. No one wishes to see large scale unemployment return to this country to cause the havoc and misery which was suffered 25 years ago but the continuance of the present position will itself increase the possibility of such an outcome.

NEED TO REDUCE GOVERNMENT SPENDING

The truth is that we are all trying to spend too much too quickly. This is especially true of the Government. There must be a big reduction in Government spending, not only in order to reduce the still heavy burden of taxation on industrial enterprise but also in order to relieve the constant inflationary pressure which is progressively diminishing the purchasing power of the pound sterling, raising costs of production, particularly those of our exporting industries, and causing hardship to those members of the community who have to live on fixed incomes.

The measures announced by the Chancellor last Wednesday will give some relief to our economy by reducing the strain on it made by the demands of local government capital expenditure. The Chancellor, however, appeared too readily satisfied with the slight reduction in the burden of central Government expenditure which has taken place over the past four years by which the proportion of the national income spent by the central Government has been reduced from 29 per cent to 26 per cent. It is difficult at this stage to see how the fiscal measures announced by him at that time will have any serious effect on relieving the current inflationary pressure. His estimates recognise that the increase in the distributed profits tax will have a negligible effect in the current financial year. Increases in purchase tax, too, are unlikely to reduce demand and may merely help to push up costs and prices all round.

By putting the responsibility on the shoulders of the Government in this way, I am not suggesting that Government action alone can solve this problem. The Government's attempts can very well be frustrated if trade unions continue to press for wage increases which can only have the effect of pushing up prices and thus increasing the cost of living at home and the difficulties of our exporters abroad. Moreover, employers themselves often adopt a short-sighted policy in endeavouring to recruit and retain labour in conditions of over-employment by offer-

ing wages and conditions of employment considerably in excess of those negotiated on their behalf between their organisations and the trade unions concerned. This practice can only lead to an unnecessarily high rate of labour turnover and also to discontent among the employees of companies which seek loyally to abide by the agreements to which their organisations are parties.

IMPORTANCE OF OVERSEAS TRADE

While I believe that the halting of inflation presents us with the most pressing of our immediate domestic problems, events have confirmed the view which I have so often expressed in the past that the perennial problem of this country is the maintenance of its overseas trade. Although this year's trade figures have been seriously distorted by the effects of the dock strike, the picture they present is a disquieting one. It is most doubtful whether the measures now taken by

THE CALICO PRINTERS' ASSOCIATION LIMITED

A DISAPPOINTING YEAR

The fifty-sixth annual general meeting of The Calico Printers' Association, Limited, was held on November 2nd, at St. James's Buildings, Oxford Street, Manchester.

Mr R. M. Lee, the Chairman, in the course of his speech, said: The Association's profit on trading, before provision is made for repairs and renewals, and before taxation, is shown in the Profit and Loss account to have declined by £198,000 to £1,968,000. The Group's profit on trading, as shown in the Consolidated Profit and Loss Account, declined by £269,000 to £2,041,000. These are the two points most relevant to a consideration of the current progress of the Association that emerge from accounts which have been unavoidably complicated by a number of adjustments relating to earlier years.

Last year the accounts recorded the reimbursement of losses sustained by subsidiary companies in the United Kingdom for the year to June 30, 1952, by means of subvention payments enabling the Association to set the subsidiaries' losses against its own profits for tax purposes. This has now been done for the three years to June 30th last and in future each year will bear its own charge in this respect, thus obviating adjustments from earlier years.

Other adjustments of previous years' taxation have been made in consequence of the change in the standard rate of income tax and the progress of negotiations on computations left open while the Association's Excess Profits Tax position was undetermined. Settlement has now been reached for the nine years to June, 1948, and it is hoped that outstanding matters will be cleared in the course of the current year but the next Accounts are not expected to show any substantial credit from taxation provisions.

One further item on the Profit and Loss account calls for comment. For the year to June, 1954, income from Investments in Subsidiary and Associated Companies included £204,000 paid to the Association as dividends by Subsidiary Companies from their provisions for Excess Profits Tax no longer required. On a true comparison with the previous year, the reduction in the Association's income from this source is £26,000, instead of the apparent decline of £230,000.

the Government will prevent a serious shortfall in our balance of payments on the entire year. Thus, the most strenuous efforts will be called for from all industries for whose products there are overseas markets. In these efforts they will need the maximum support which industries catering for the home market can give them by way of efficient service at minimum cost.

In conclusion, I would like to express on behalf of the Board sincere thanks to all those in the service of the Company, both at home and abroad, who by their efforts have enabled us to report a year of further progress, and I am sure that Stockholders will desire to associate themselves with these sentiments.

The report and accounts were unanimously adopted and the dividend as recommended was approved.

The retiring director, Mr P. G. Carew, was re-elected and the proceedings terminated with a vote of thanks to the chairman.

REVALUATION OF FIXED ASSETS

In the Association's balance-sheet, the main feature calling for comment is the revaluation of the Fixed Assets. The last revaluation was in 1928 and on account of the inflation of values since 1939 a further revaluation became necessary, not only for balance-sheet purposes, but also to confirm that the annual upkeep provision was adequate. The valuation has been made on a going concern basis by independent professional valuers and shows a surplus over previous book-values of £5,365,000 which has been transferred to Capital Reserve. The Upkeep charge for the year to June 30th last was £1,059,000 and the revaluation has confirmed that the increases made in the annual charges since the war have kept pace with the inflation of costs.

The total volume of commission printing offered to us in 1955 was practically the same as that in 1954. The forward position, however, is less satisfactory. In my remarks last year I referred to the probable adverse effects of the conclusion of the Sterling Area Payments Agreement with Japan. Sufficient time has now elapsed for us to assess the results, and we find our worst fears confirmed. Just to touch on the effects in one of our traditional print markets, we find that in Nigeria imports of cotton prints from Japan have risen from less than 1 per cent a year ago to 50 per cent of the total cotton print imports during the first quarter of 1955, while those from the United Kingdom have declined from 72 per cent to 35 per cent.

Our Merchandising Departments have had a disappointing year. In common with the industry as a whole they have suffered major losses of turnover in several overseas markets, and despite an increase in the Home Trade, total sales are down on last year, although they have substantially exceeded any other postwar year.

TERYLENE

Royalties from sales of Terylene show a satisfactory increase during the last twelve months, but this was offset by a decline in income from other patents, some of which are nearing the end of their effective life. However, I can tell you there has been a substantial increase in the production of Terylene polyester fibre in the United Kingdom during the year, the first large plant of Imperial Chemical Industries Limited having been brought into operation at the end of 1954. We understand the building of the second Wilton plant is proceeding up to schedule and that it will be ready for operation in early 1956.

The report was adopted.

BERALT TIN AND WOLFRAM

MR F. GATES'S SPEECH

The twenty-seventh annual general meeting of Beralat Tin and Wolfram Limited, was held on October 28th at Winchester House, London, E.C.

Mr F. Gates, chairman of the Company, in the course of his speech, said: It is a pleasure to be able to report another year of satisfactory trading which is reflected in the Board's recommendation of a final dividend of 80 per cent, bringing the total dividend for the year ended March 31, 1955, to 130 per cent.

FINANCIAL RESOURCES

The Company's position, as plainly set out in the Balance Sheet, displays a financial strength that provides a strong shield against adverse conditions.

We are working in a foreign country in a district which depends largely on our mining operations for employment of its people; and, even if we were permitted to do so, we should not consider it right, or in the Company's long-term interests, to discharge large numbers of our employees out of hand, should the price of wolfram fall to an uneconomic level.

It is not, therefore, difficult to visualise a situation in which very heavy drafts might, for one reason or another, be made on the Company's cash resources before normal working conditions were restored.

I well remember when the Company had very little cash and the difficulties which resulted therefrom.

We have now progressively built up a really strong financial position; and I consider it of great importance that the Company should at all times retain substantial resources in readily available form.

ORE RESERVES

I remember that some 35 years ago I assured members of The Wolfram Mining and Smelting Company, the forerunner of this Company, that they need have no worry about our ore reserves. I am glad to say that I can give the same assurance today with even greater emphasis. The Panasqueira mine is no small one.

WOLFRAM SALES

You will have noticed a reference in the Directors' Report to favourable long-term contracts for the sale of wolfram concentrates negotiated in earlier years.

At the beginning of the year under review, namely at April 1, 1954, two of those contracts were still running, the first for 100 long tons per month with the Ministry of Materials at the market price current from time to time, but subject to a fixed minimum price, and the second for 40 long tons per month with the US Government at a considerably higher fixed price.

The Ministry exercised their right to cancel the former contract as from September 30, 1954, but up to that date this contract was of great value in a period when the wolfram price was unduly depressed. The American contract remains in force until end September, 1957, and is our only present contract at a fixed or minimum price.

The remainder of our production is covered for the most part by running contracts under which each month's deliveries are paid for at the average market price for the month

plus a premium in recognition of the quality of the concentrates.

Operations for the current financial year are so far showing a satisfactory margin of profit and, although I am never likely, after my long experience of the wolfram market, to forget its mercurial possibilities, I feel justified in describing the Company's immediate outlook as bright.

PUNITIVE TAXATION

Unhappily, it seems that this year's profit, like profits earned in recent years, will still be subject to punitive taxation.

Over the last four financial years approximately 80 per cent of the Company's net earnings has been absorbed by tax demands in Portugal and England. We would not seek to contest the right of our Portuguese friends to levy tax on our operations at a rate commensurate with rates of taxation in other parts of the world, nor can we complain if they choose to levy such taxation mainly in the form of an export tax instead of as a tax on income.

We do, however, feel that we are the victims of a flagrant injustice by reason of the fact that, merely because the Portuguese authorities have decided to collect their tax in that form, we are deprived by the inflexibility of the UK tax code of the benefits of double taxation relief which are enjoyed by mining concerns operating in other countries, where taxation is levied in a form more comparable with UK income tax.

The Company's loss arising out of this obvious inequity is no small one. If the Portuguese tax had been admitted for purposes of double taxation relief, the total amount available for distribution over the last four years would have been greater by well over one and a half million pounds.

We had hopes that the representations made to the Royal Commission on Taxation of Profits and Income on this matter in general by the British Overseas Mining Association, and by the Company on its own individual case, might have led the Commission to recommend the removal of the restrictions on double taxation relief under which we and some other mining companies suffer, but although the Commission recognised the problem in paragraph 700 of their Report, they made no proposal for its solution.

STRATFORD-ON-AVON PRODUCE CANNERS, LIMITED

INCREASED PRODUCTION

The twenty-third ordinary general meeting of Stratford-on-Avon Produce Canners, Limited, was held on October 31st at Stratford-on-Avon, Colonel N. C. Joseph, the chairman, presiding.

The secretary (Mr G. E. Smith) read the notice convening the meeting and the report of the auditors.

The following is the Statement by the Directors, circulated with the accounts for the year ended May 31, 1955:

Your Directors have to report the Trading Profit for the year amounts to £60,285, compared with £68,787 last year. The Profit and Loss Account shows the Net Profits amount to £25,908, compared with £30,003 for the previous year, and the Directors recommend that this shall be dealt with as set out in the Company's Appropriation Account. You will observe that after provision for Dividends, the balance to be carried forward

HOVIS LIMITED

ANOTHER YEAR OF STEADY PROGRESS

The fifty-seventh annual general meeting of Hovis Limited was held on October 28th in London, Mr J. F. Morton (the Chairman) presiding. The following is an extract from his circulated statement: The accounts, which are the subject of detailed comment in the Directors' Report, reveal the satisfactory result of another year of steady and purposeful progress.

Despite the diminution which occurred for a time in the consumption of home-milled flour our trade in Hovis and other flours produced was not only maintained but showed an increase and I am glad to report that this satisfactory trend continues.

Your Company has continued its policy of extensive advertising and very many appreciative expressions have been received from shareholders and the public in general. At the same time every endeavour is made to assist the baker to produce a loaf of the highest quality by the technical and practical assistance given by our demonstrators, by exhibitions, competitions and by many other means.

The present International Wheat Agreement is due to expire next year and I understand that the question of its renewal is to be discussed within the next few months. No doubt this country, as the world's biggest importer of wheat, will be pressed to rejoin, but it would be against the interests, not only of bread consumers but of this country as a whole, to resume membership.

The businesses conducted by our subsidiary companies continue to give us cause for satisfaction and, in particular, that of Locomotors Limited has made most promising progress. As regards our interests overseas it is hoped that negotiations now proceeding will, in time to come, result in satisfactory dollar earnings.

In expressing appreciation of the work of employees I wish to add how proud we are of our record of excellent relations between employers and employees, which we have done our best to foster, and to which our employees, by their unfailing loyalty and zeal, have contributed in considerable measure. The report was adopted.

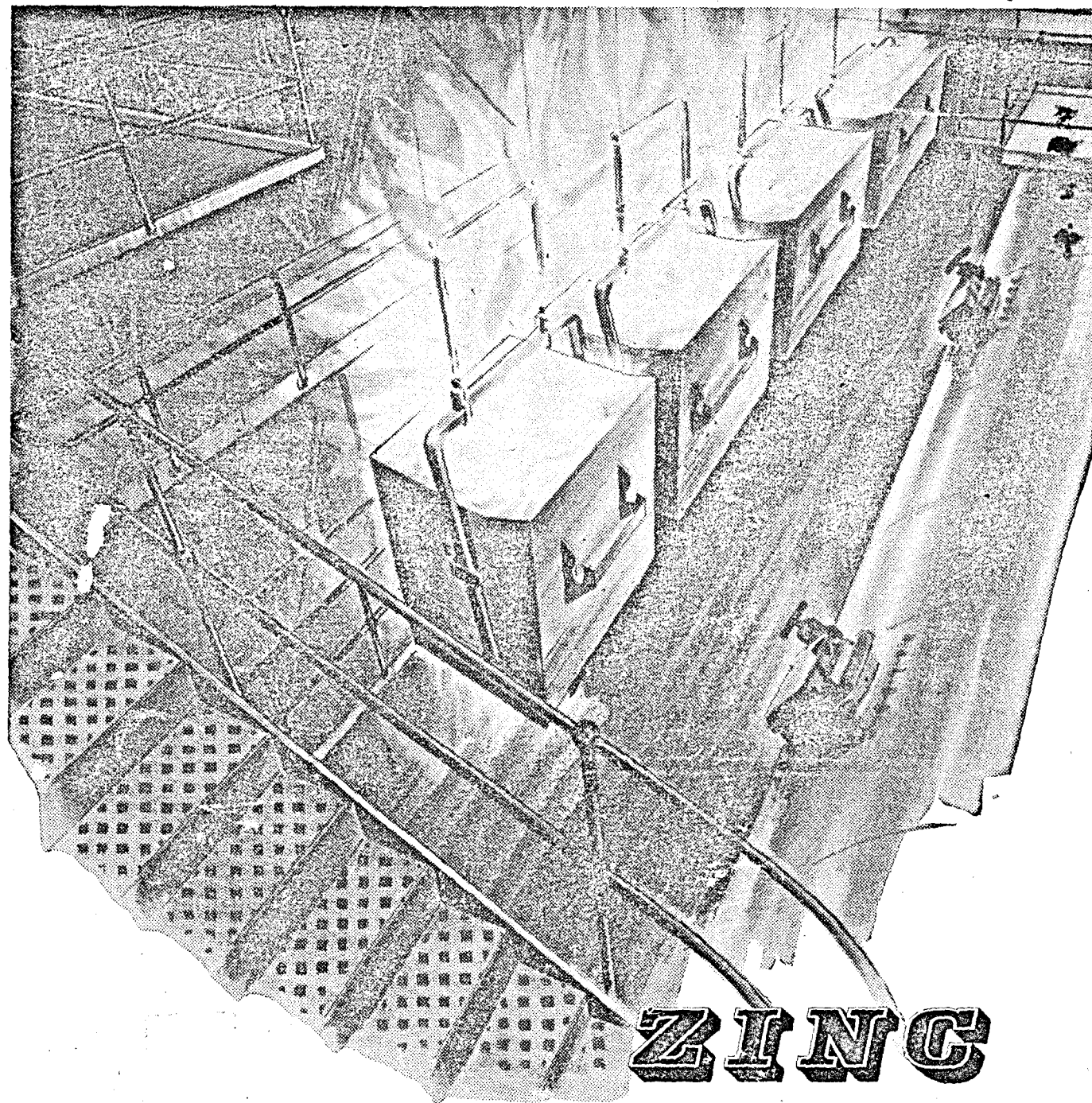
TURNOVER MAINTAINED

Increased production in a market of falling values has maintained our turnover. The small decrease in Trading Profit is due to unstable prices of imported materials and unsatisfactory crops of home grown vegetables and an increase in selling costs due to an extension of our activities. Your Directors have every confidence in the maintenance of and a steady increase in production and turnover.

In accordance with the Articles of Association, Mr G. E. Smith and Mrs D. Edkins retire from the Board and, being eligible, offer themselves for re-election. We take this opportunity of thanking our employees for their continued loyal services during the year. The Auditors, Messrs James, Stanley & Company, have intimated their willingness to continue in office.

The report and accounts were adopted; the proposed final dividend of 19 per cent on the Ordinary shares, making, with the interim dividend already paid, 25 per cent for the year, was approved and the retiring directors, Mr G. E. Smith and Mrs D. Edkins, were re-elected.

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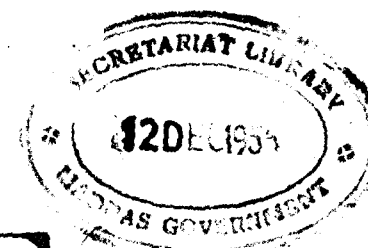
works of Imperial Smelting cover approximately 100 acres and in addition to the aerial ropeway and sidings within the area. Here for many years Consolidated Zinc have been enlarging and improving their processing methods to keep pace with the demand for zinc and its by-products. The new plant on the most modern lines has resulted

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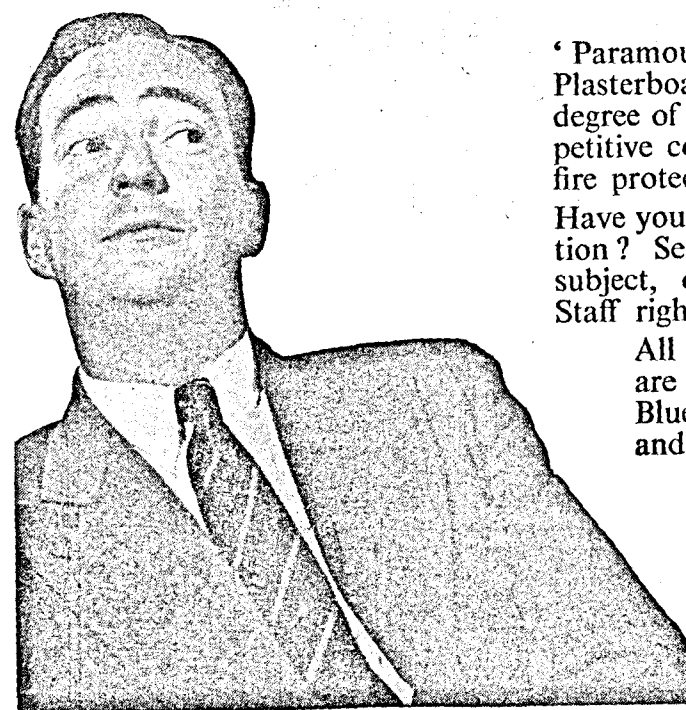


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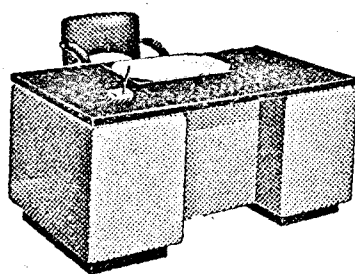
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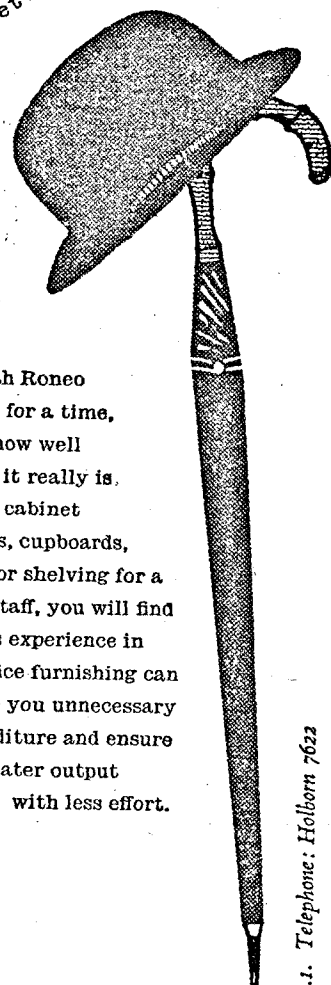
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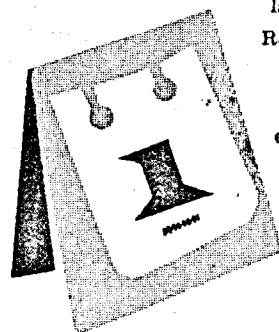
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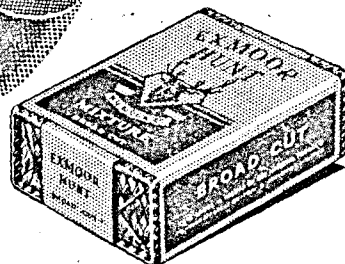
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Wholesale Wine Merchants
Est. 1820



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Enjoy—
**EXMOOR
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MIXTURE**

RICH AND MELLOW WITH A
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A TRULY GENIAL TOBACCO.
BROAD OR MEDIUM CUT

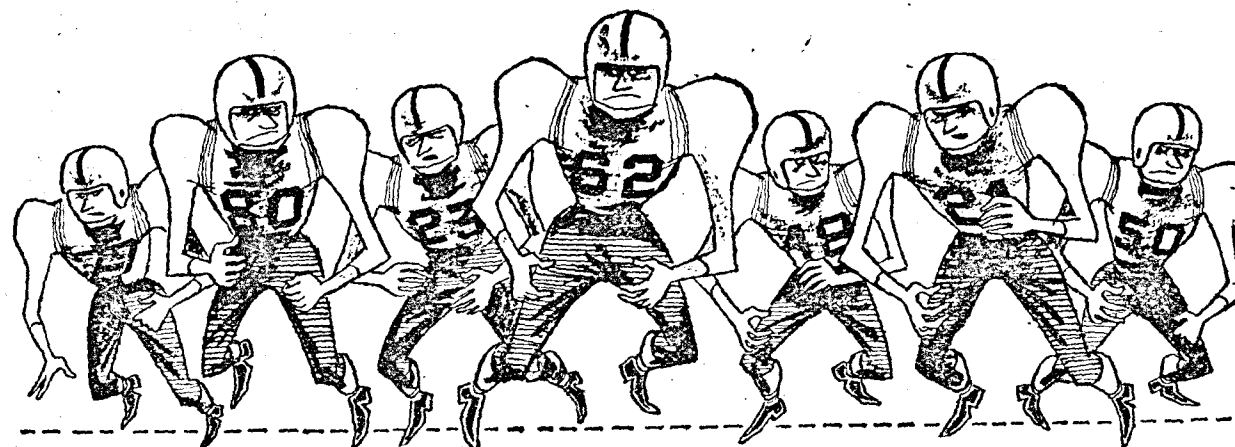


8½ TWO OUNCE SNAP VAC TIN

4½ AN OUNCE

EX14

They pack them tighter in America—



or do they?

Circulations are impressive things. But they become even more interesting if you look beyond them to a revealing little figure called "circulation-density." The results can be very surprising.

For example, many British advertisers regard the U.S.A. as the home of mammoth-circulation magazines. There, "Life" magazine has the biggest national weekly circulation of all—5,600,000. Measured against the total population of the United States, it is bought by 34 Americans out of every thousand. Now take our own Radio Times; not only is the circulation greater—8,832,579* . . . but on the same basis it is bought by no fewer than 174 people in every thousand.

This means that the circulation-density of the Radio Times is more than five times as great as that of the most-bought weekly magazine in the U.S.A.

A British businessman advertising his goods or services in the Radio Times is getting his advertisement

seen by a higher proportion of his potential market than anyone else advertising in any other magazine in the world. But the story does not end here. Each year independent readership surveys continue to show that the Radio Times has not only the highest number of readers of any British publication but also a greater proportion of readers in the higher income groups. It goes into nearly four out of every seven homes and is read by every other man and woman in the country—not once, but several times a day for at least nine days.

When you consider, too, that the Radio Times carries with it much of the authority of its parent the BBC, it is not surprising that it is the most sought-after advertising medium in Great Britain. Unfortunately, space in the Radio Times is still limited. But the time will come when this unique publication can be the backbone of every national campaign.

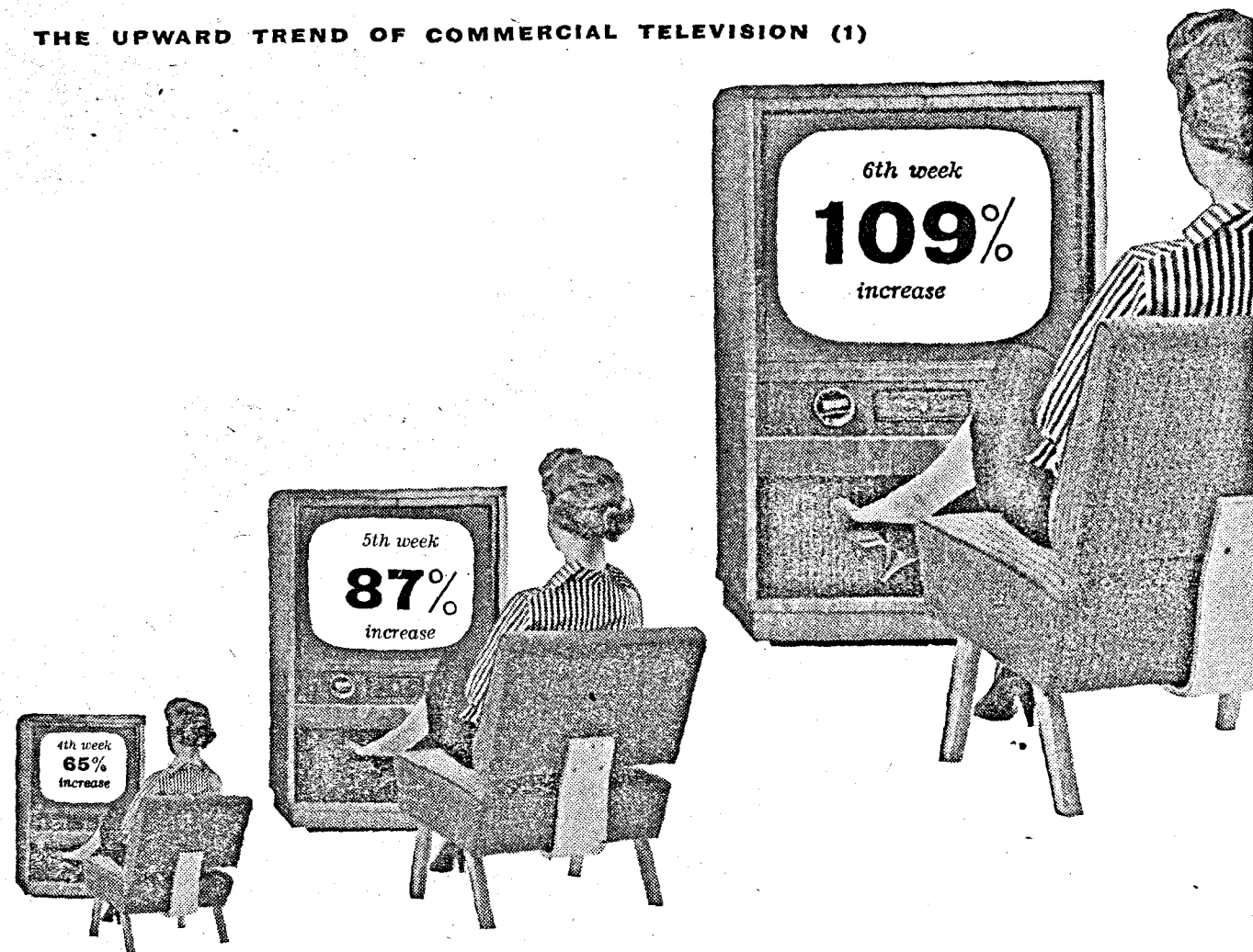
* Average weekly net sale (A.B.C.) Jan.—June 1955

RADIO TIMES

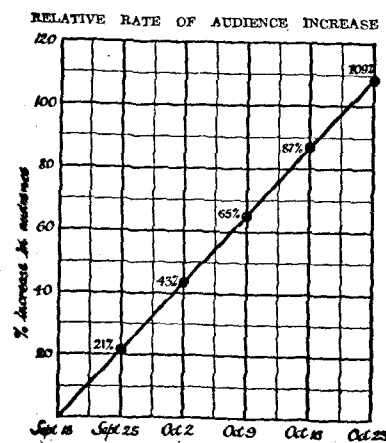
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A BBC PUBLICATION. ALL ENQUIRIES TO: TOM HENN, HEAD OF ADVERTISEMENT DEPT., BBC PUBLICATIONS, 35 MARYLEBONE HIGH STREET, LONDON, W.1

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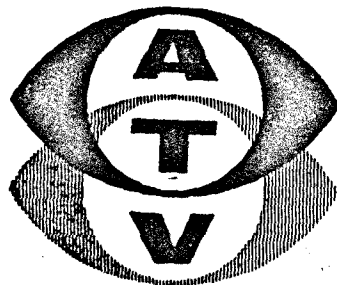
We gathered all the available figures from the leading independent research firms. We collated them, and took the mean average. The results you see on the graph. These figures show the terrific rate of growth in the numbers of sets capable of receiving com-

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They are remarkable figures. They are figures that are far larger than anything we could have hoped for. And they are figures that are rising by leaps and bounds, week by week. Commercial television, in fact, has already succeeded beyond all expectations; and nothing succeeds like success, that's why wise advertisers are making sure of their TV time by booking now.

From strength to strength with

make sure of your time now



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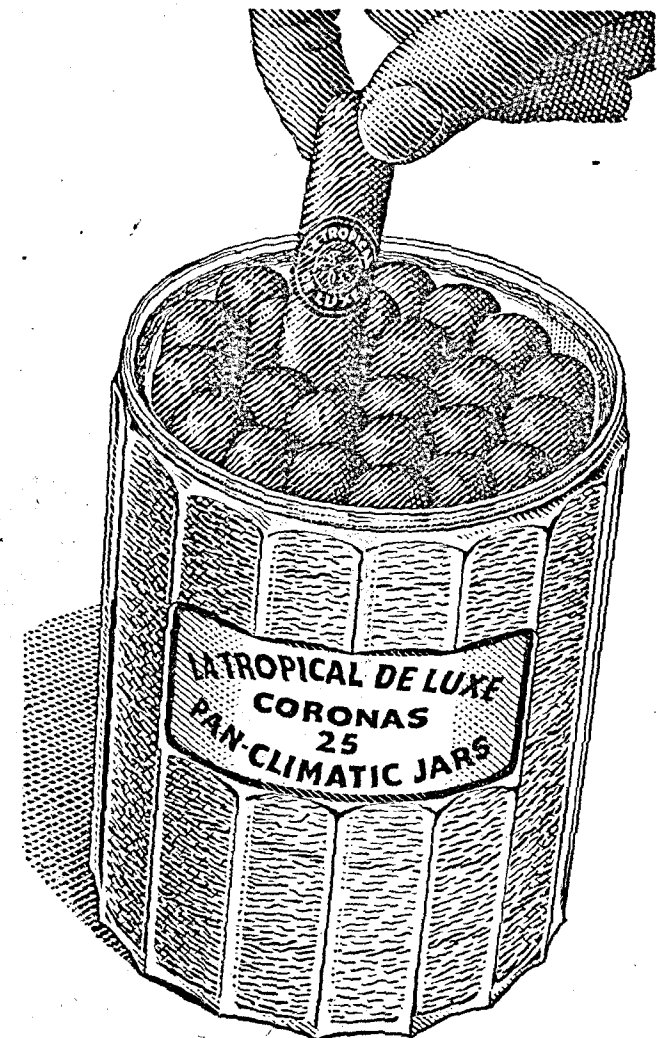
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Play safe when you're buying cigars for somebody else! Choose from the fine imported Jamaicas—for most men prefer a mild cigar and most fine Jamaica cigars are mild. Choose La Tropical—a cigar that is notably mild without loss of character. For the gift that runs to 25 cigars, choose the exclusive Pan-Climatic jar—and know each cigar will be smoked at the peak of perfect condition!

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LT178

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BUSINESS has rarely had the opportunity to make such savings in accounting costs as Burroughs Sensimatic Accounting Machines provide. The Sensimatic is so automatic, so simple to operate, that even beginners quickly become experts. And, by a turn of the knob, the Sensimatic can switch in a moment from one job to another—doing the work of several machines. It has thus created a new concept of speed and economy in the handling of accounting work. Five series of Sensimatics make it possible for you to select the machine exactly suited to your particular needs. See them today at your nearest Burroughs office. Burroughs Adding Machine Ltd., Avon House, 356-366 Oxford Street, London, W.1.



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It pays
to advertise—
when your
advertising
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.



For long life and comfort
there's nothing like leather

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* * * * *

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*Not too sweet,
not too dry.*

The finest wine in its class.

*Excellent with any main
course—fish, poultry,
white meat or
red meat*

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MEANS BUSINESS**

LOOK TO BRITISH COLUMBIA FOR THE
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OF THE CENTURY

REASON:

Low cost hydro power in abundance — Greater undeveloped potential.

REASON:

The world's greatest source of softwood pulp for chemicals and wonder fabrics.

REASON:

Huge reservoirs of oil piped to industrialized areas. Natural gas an immediate prospect.

REASON:

Year-round open ports—Gateway to the Pacific. Favorable industrial climate—Complete transportation facilities.

BRITISH COLUMBIA

DEPARTMENT OF TRADE & INDUSTRY
VICTORIA, B.C., CANADA

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Department of Trade & Industry
THE GOVERNMENT OF THE PROVINCE
OF BRITISH COLUMBIA
Victoria, B.C., Canada

Please mail me your portfolio of information on the industrial opportunities of British Columbia.

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Company _____

Address _____

Products Manufactured _____



Photographed for PICTURE POST by Bert Hardy

Who has the say about cereals?

MOTHER buys them, of course. And if she had her way it would always be the extra crackly, extra crunchy ones. But she doesn't always have her way. There's Bob, who doesn't mind which he eats so long as the packet shows *Great Liners of the World*; there's Barbara, who prefers the sugary kind; and there's Father, who says every other week 'I should like those long, malty things for a change—you know, they were advertised in PICTURE POST.' The cereal story is a family one.

And to make it more likely that it's *your* brand

they choose, your best and cheapest way is to advertise in a magazine that goes right round the family and stays around the whole week—often more. Your best family magazine is PICTURE POST. It goes into over 1½ million households. It is read by five million people every week. It clinches innumerable family purchases.

Who chooses the family car, television set, soft drinks, confectionery, soap and toothpaste? They're all very much family purchases. They can all be sold through PICTURE POST.

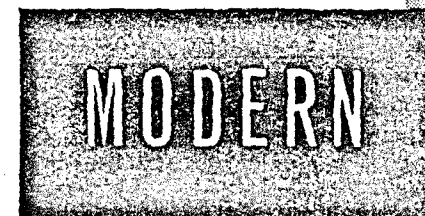
**PICTURE
POST**

A HULTON PUBLICATION

for family purchase

Noel Holland, Advertisement Manager, 43-44 Shoe Lane, London, E.C.4. Telephone: FLEet Street 5011

G.E.C. AND THE CHANGING WORLD 3



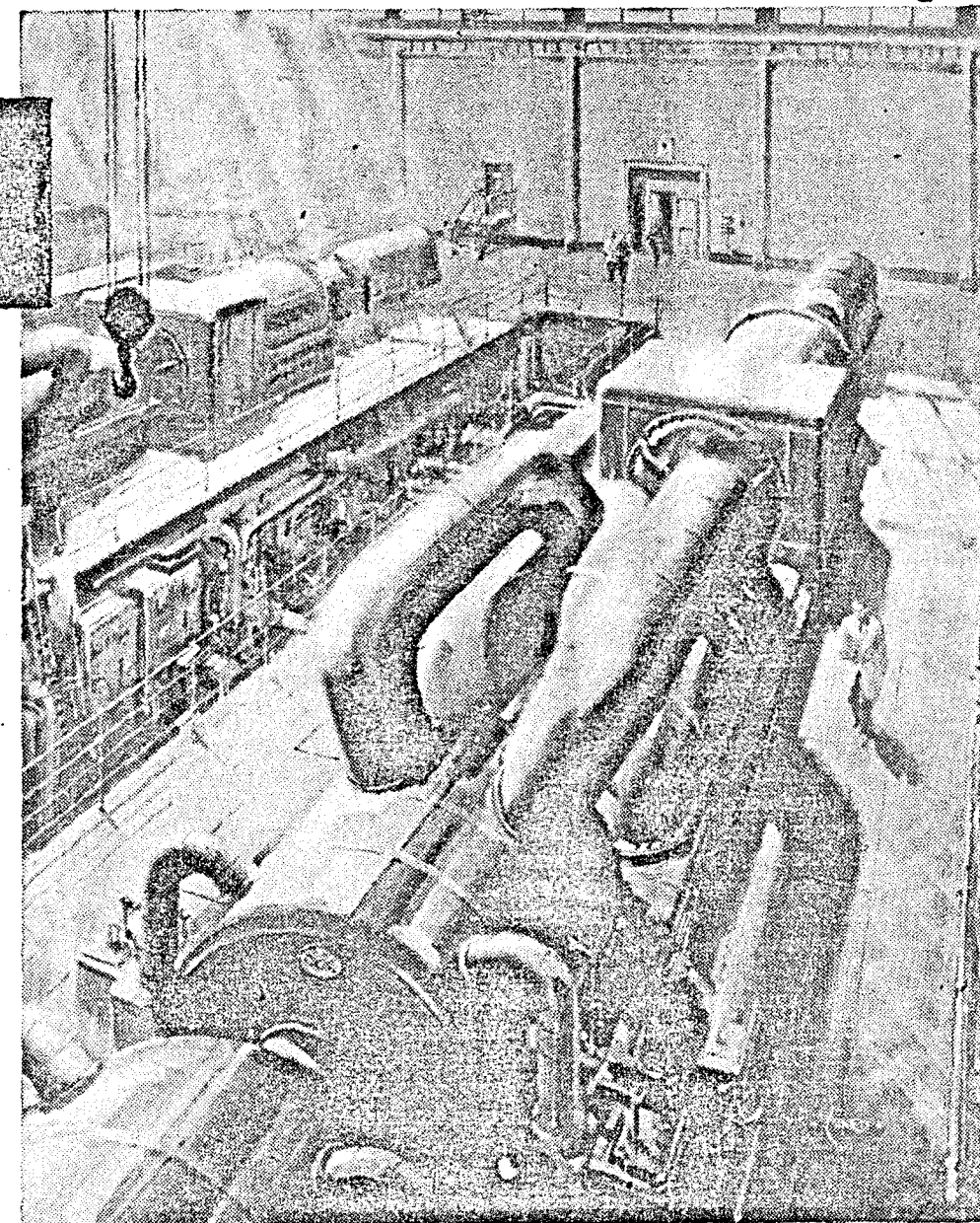
ELECTRIC POWER GENERATION

The world was startled some 200 years ago when Benjamin Franklin succeeded in drawing electricity from a thunder cloud with the aid of a kite. Today, electricity is an accepted necessity of everyday life. And still the demand for electric power grows.

Every new industrial, commercial and domestic development requires an immediate supply of electric power. Electricity is bringing modernisation to traditional industries, too—and this means increased productivity.

To meet the world demand the G.E.C., which has over half a century's experience in designing, building and installing electrical generators, plans to produce giant machines some two or three times larger than the largest yet installed in existing power stations. These giants, operating at higher steam pressures and temperatures, will give correspondingly higher efficiencies.

Built and tested in two vast new works, they are destined not only for installation in the conventional power stations of the future but also



in the new atomic power stations which the G.E.C. is now ready to build.

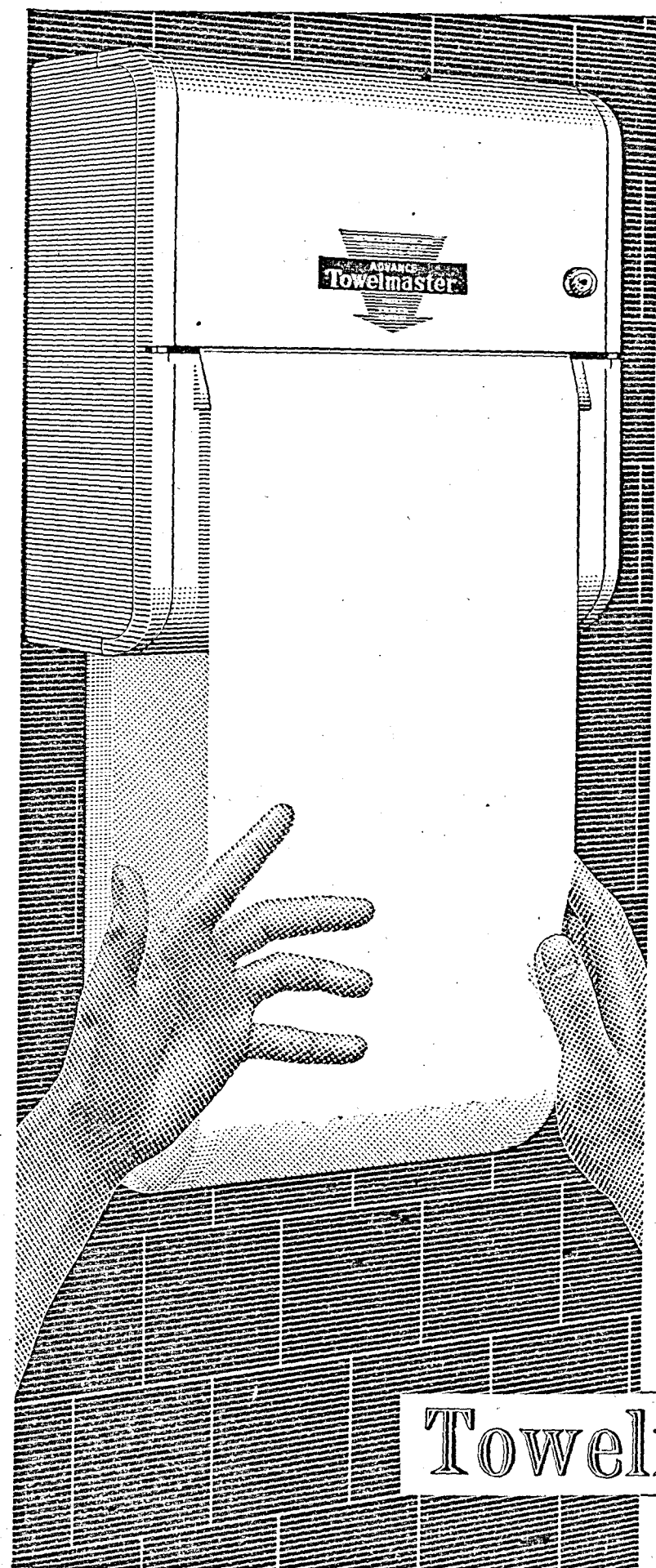
A turbo-alternator of 120 MW capacity is being manufactured by the G.E.C. now. It will look very much like that in the illustration. Another development—a more efficient method of cooling alternators—makes it possible for the Company to build even larger units up to 400 MW capacity.

Whatever demands the future makes in the field of power generation the G.E.C. with its unrivalled staff and unique research facilities will be ready and able to supply the need.



**LEADERS IN
ELECTRICAL PROGRESS**

The General Electric Co. Ltd., Magnet House, Kingsway, W.C.2



A towel fit for the chairman

Looks a tall order, that; yet the answer's simple—the Towelmaster. Gone are the days of unspeakable roller towels, of paper-strewn floors like Hampstead Heath. At a pull, the Towelmaster presents a length of soft, dry, laundry-fresh towel. It gives as satisfactory and as pleasant a dry as a towel in one's own house. The same pull automatically winds up a used portion into a separate compartment of the gleaming white Towelmaster cabinet.

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Each roll gives an honest-to-goodness dry to 180 pairs of hands. If that wasn't enough for 5/-, think of the goodwill gained from staff and visitors, of the added prestige conferred by these sparkling Towelmaster cabinets. And consider, above all else, this bargain price for a clean bill of health.

We welcome your enquiries.

ADVANCE

Towelmaster

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Stratton House, Piccadilly, London W1
Telephone: Mayfair 8886.

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 tintinnabulation 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.

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A member of the TURNER & NEWALL ORGANISATION

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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.



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(Box 380) DROITWICH.

BACKED BY 25 YEARS' EXPERIENCE

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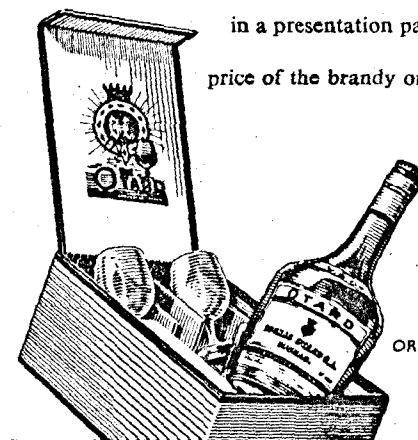
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A Decanter of OTARD V.S.O.P. Liqueur

Cognac Brandy with two brandy glasses

in a presentation pack at the normal price of the brandy only.

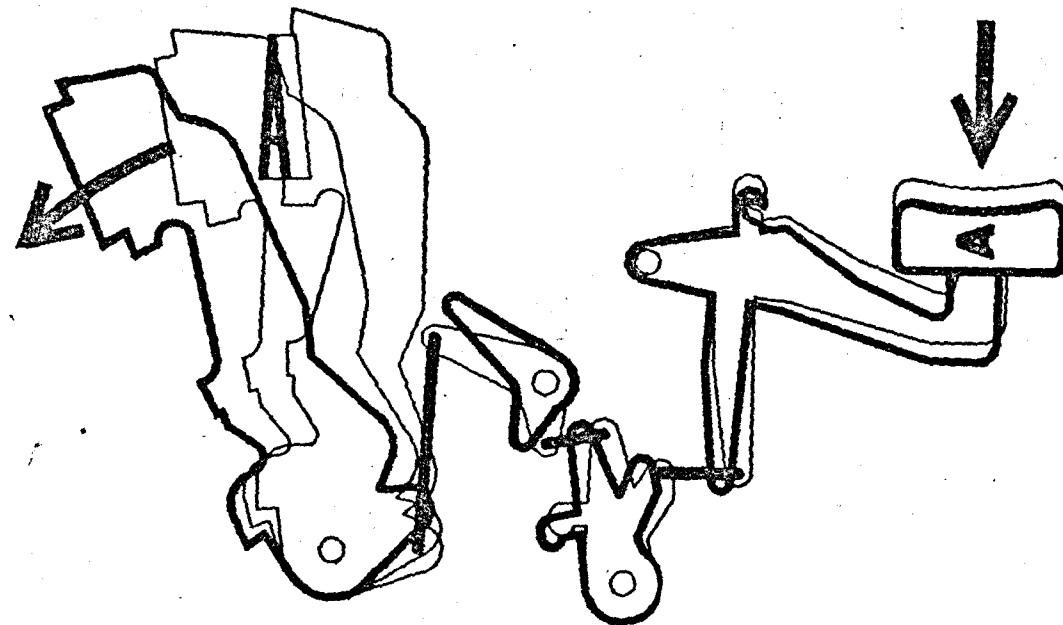


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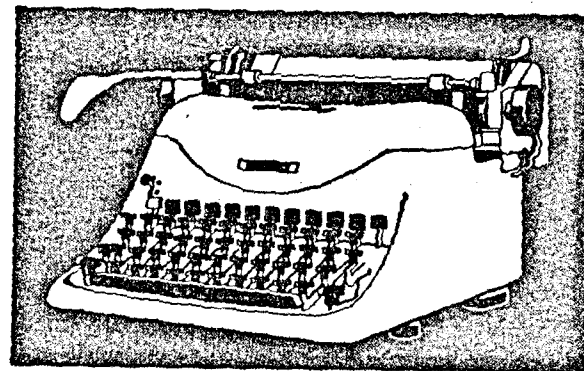
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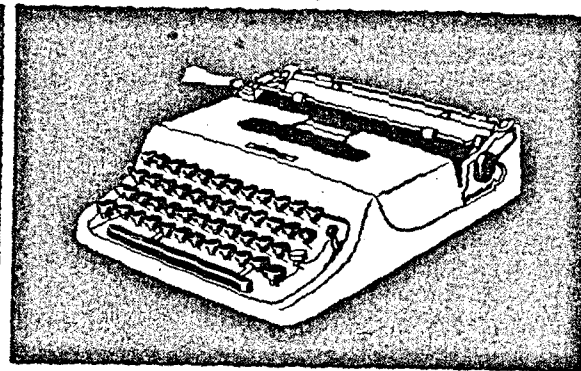
in the office
Lexikon



The office equipped with Olivetti Lexikon typewriters has many advantages. For sheer functional simplicity of design the Lexikon has been commended all over the world. In the range of its performance, in its ease of operation, and for the clarity of its work it has earned the highest praise of typists - and particularly of those who delight in being able to please the most exacting of critics.

Automatic margin stops - Key-trip device - Articulated bail-rod - Automatic tabulator - Accelerating typebar action - Carriage on ball bearings - Personal touch-tuning - British made.

and out of the office
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British Olivetti Ltd.

10 Berkeley Square - London W. 1

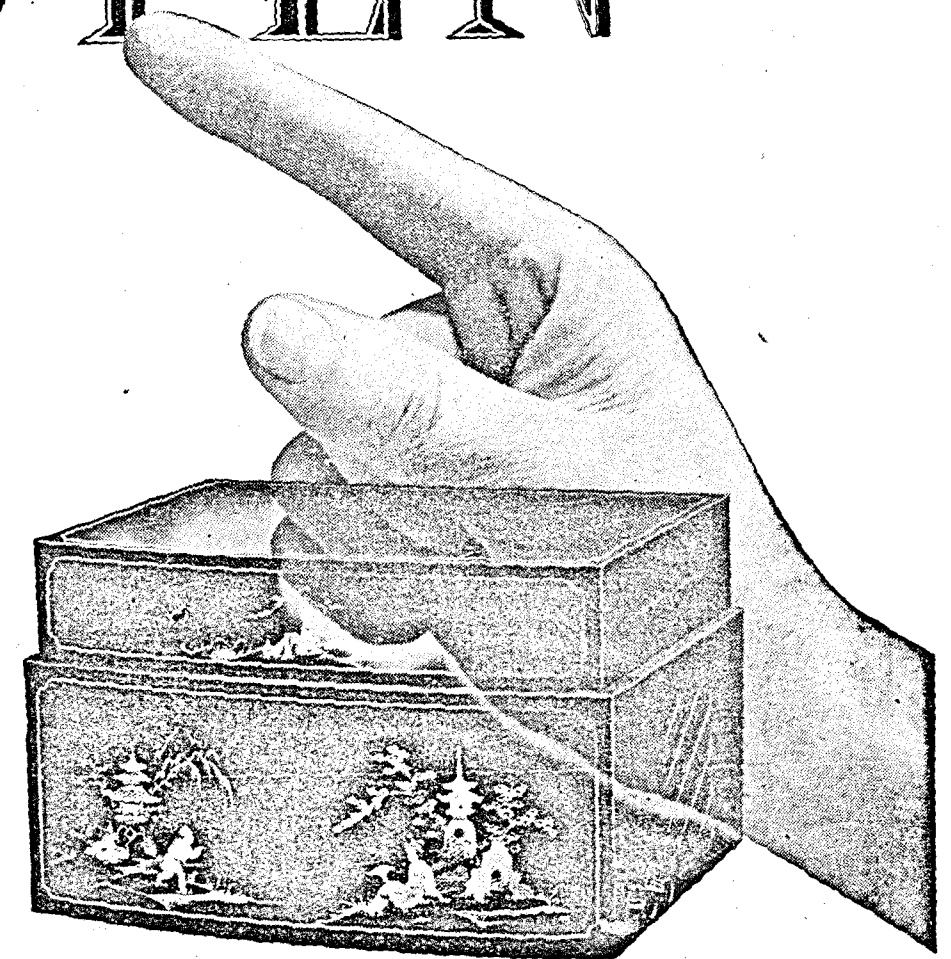
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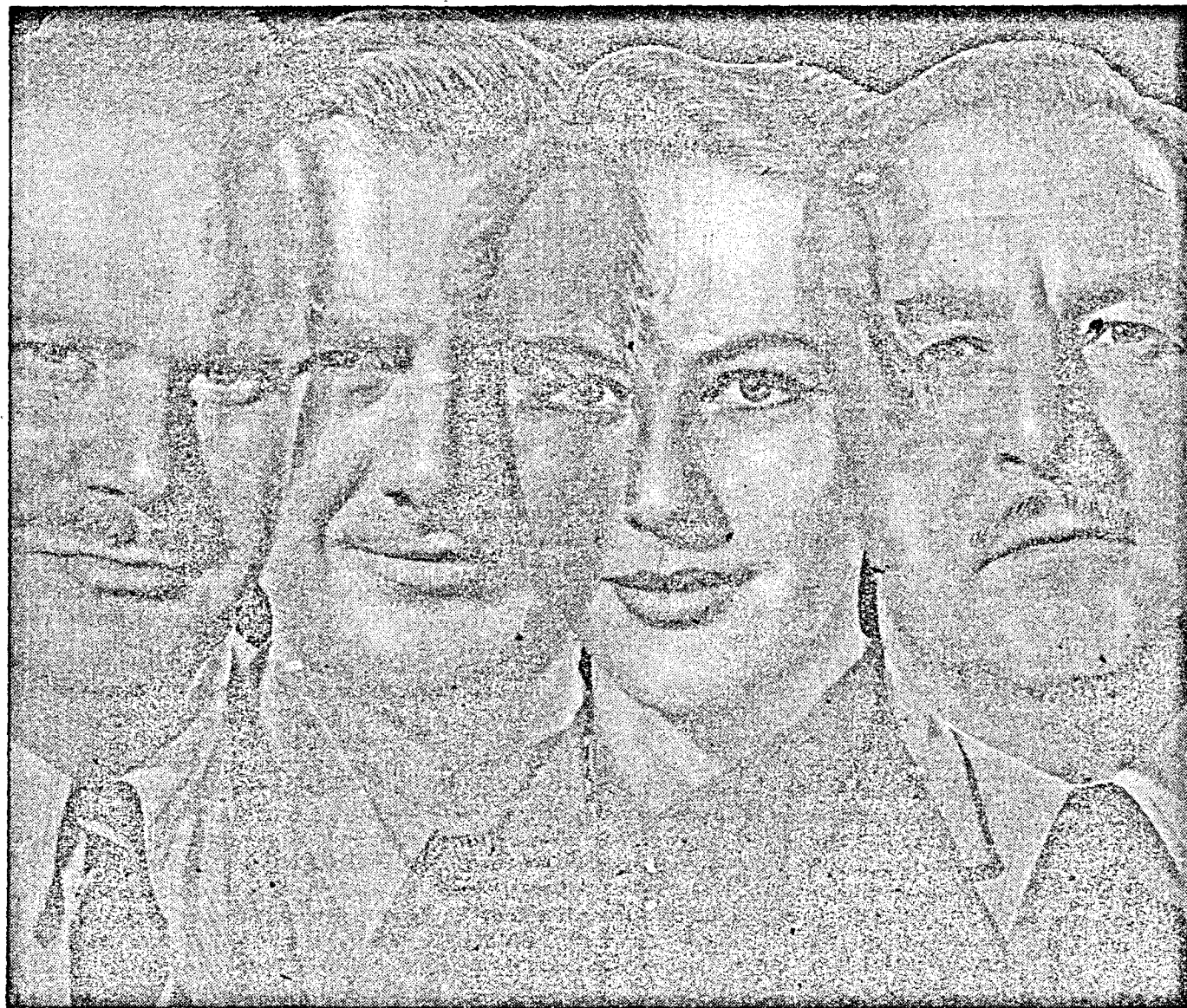


Hi Fi BLACK BOX

Listen... and the mad onrush of civilisation slows down... stops still. Close your eyes and the cares of your workaday world drift away. Such is the magic of the PYE BLACK BOX. In blissful repose you savour the full rich beauty of the orchestra, the sung and the spoken word... joining the artists themselves in that other world of music. An ordinary record played on the BLACK BOX becomes a thrilling musical experience. Don't deny it to yourself a moment longer.

Write today to Pye Ltd., Box 49, Cambridge, for full colour leaflet on the BLACK BOX.

PYE LIMITED OF CAMBRIDGE

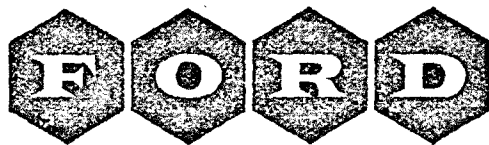


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Shrewd car buyers demand a high standard of looks, comfort and performance. Such qualities have created the demand for Ford '5-Star' cars. And their prices are right. Skilful production economies and continuous quality inspection cut out waste. Ford policy is to look after pennies to save motorists pounds. But Ford provide shrewd motorists with much more than first-price value—"the best at

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"Wise investors" say



of Dagenham



FORD PRODUCTS — THE BEST AT LOWEST COST



The Economist

FOUNDED 1843

NOVEMBER 12, 1955

ONE SHILLING

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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.

Awaiting the Monopolies Bill

THE Monopolies Bill is likely to be published soon; and Mr Thorneycroft, in answer to a supplementary question in the House last week, confirmed that the action which he has promised "goes somewhat further than the majority report" of the Monopolies Commission. It is high time that industry realised this. Under the scheme announced by Mr Thorneycroft on July 13th last the Government will call up restrictive practices, one by one, for what is to be called "registration," but will in fact be a system of banning subject to appeals; and the onus of proving that any particular industry should be allowed to continue to operate a practice on the "registered list" will be placed fairly and squarely on the shoulders of the trade association concerned.

It is a complete misconception to say that, if any such measure becomes law, restrictive practices will still be on trial. They will not be on trial. They will have been condemned. The majority report of the Monopolies Commission, which Mr Thorneycroft has decided to exceed, made that quite clear. But, among the industrial organisations, the penny seems to have taken a long time to drop. For example (to quote only one case) the National Union of Manufacturers, in its recent memorandum to the Board of Trade, could still "recommend" that, when the new tribunal is set up to decide whether any isolated trade associations should be allowed to continue restrictive practices, no attempt should be made to define to that tribunal "what is and what is not contrary to public policy." And the director of the National Union, in a letter to *The Economist* last week, could still claim that any other sort of Bill would be based "on the Irishman's assumption that the accused would not be in the dock unless he were guilty." The false parallels drawn by industrial organisations would normally be their own affair; but it is now important to draw attention to them, in case they succeed in muddling Mr Thorneycroft as well.

If the analogy with a criminal trial is to be used, it is advisable to get the analogy straight. When a man is arraigned for killing his mother-in-law, he can plead justification in certain special and restricted circumstances: but he is not allowed to claim that the judge should not make any "Irishman's assumption" about whether the slaying of mothers-in-law, in general, "is or is not contrary to public policy." The accused can, of course, say that he has not killed his mother-in-law, but it will obviously not be open to any trade association appearing before the tribunal to say that it is not using the condemned practices; its only reason for appearing will be to plead that it should be allowed to continue them. In proceedings before this tribunal, as in all murder trials, therefore, the offence at issue will have been declared to be an offence before the accused ever enters the court room; as in some, but not all, murder trials the accused will already have pleaded guilty. In those circumstances the law of murder is that he should always be sentenced to hang—but that, if he can show extreme provocation or some other good excuse, he may ask for, and

get, an administrative decision to reprieve. It is with this appeal for reprieve in consequence of special mitigating circumstances, and not with general legal judgments, that the new tribunal should be concerned.

This has an important bearing on the questions about the procedure and make-up of the new tribunal which Mr Thorneycroft threw out for "discussion" in his speech in the House of Commons on July 13th. As he is undoubtedly getting a lot of advice about how to answer these questions from people who have a vested interest in this matter, it now seems essential to give him countervailing advice from those who have not.

One of Mr Thorneycroft's questions on July 13th was whether there should be room for appeals from the decisions of the tribunal to another court. The industrial organisations will certainly press for this, but a glance at the analogy with reprieves suggests that the Government would be very unwise to grant it. The most that should be agreed is that—after, say, three or four years—an industry should be allowed to come back to the tribunal for review of an unfavourable decision, if it can show that circumstances have changed; and the tribunal itself should be obliged to review any grants of exemption after a similar period.

Another question posed by Mr Thorneycroft was whether the tribunal should be a strictly judicial body, packed with lawyers—or whether it should be a less judicial body whose function should be to advise the Minister. There is a real dilemma here. Lawyers are not usually the right people to decide on questions of mitigating economic circumstance, as distinct from on points of law; but there would also be disadvantages in bringing each decision within the orbit of domestic politics. Perhaps the best compromise would be to make the tribunal an advisory body to the Minister, but to establish the precedent that it should be very rare for the Minister to act contrary to its advice. Such a tribunal might conveniently consist of three members. One of these might be a lawyer, skilled in the rules of evidence; the other two, ideally, might be found from among the non-lawyers who signed the recent majority report of the Monopolies Commission. It is, after all, an extended version of the majority report which the Government is supposed to be bringing into effect.

The analogy with a murderer's reprieve is also to the point in considering how swiftly the tribunal can operate. A condemned man obviously has to present his appeal for a reprieve by a given date; his lawyers' deliberations are concentrated wonderfully thereby. It seems clear that trade associations that are going to present appeals before this tribunal should be given notice of a similar "execution date," by which their case must be completed if they are to escape the big drop. The initial appeals might become *causes célèbres*, and require several days of pleading; but after that the proceedings should be quite curt, for those initial cases will already have shown what sorts of argument are irrelevant to the tribunal's judgments.

Another question raised by Mr Thorneycroft on July 13th concerned the grounds on which permission to continue a particular practice might be granted. The Monopolies Commission suggested some possible grounds for exemption in its majority report last summer, and the industrial organisations will certainly seek to persuade the Board of Trade to extend them. There is, however, a very good reason why the list of grounds, so far from being extended, should now be cut shorter. The commission had assumed that the law about individual resale price maintenance would remain unaltered; and some of the grounds which it suggested for exemptions from the ban on collective restrictions were based on the belief that this ban might occasionally make the enforcement of individual resale price maintenance impossible. Mr Thorneycroft intimated on July 13th, however, that the Government has decided to make contracts for individual resale price maintenance enforceable through the courts. This is a regrettable decision, but it is important to take advantage of the one benefit that may emerge from it. That benefit is that some of the grounds for occasionally excusing collective restrictive practices, as suggested by the Monopolies Commission, can now be swept away.

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There are several other points that will need to be emphasised as the attack on restrictions gathers pace. It is quite crucial that the agreements to be "registered" should not merely be those that impose binding obligations on their signatories; they should include those which rely on "gentlemanly" recommendations that have the same effect. It is important that the existing operations of the Monopolies Commission should continue, even if this means that some industries will be caught in its particular claws before the more generalised claws of the new tribunal would fasten upon them. On these, and other, points Mr Thorneycroft may have a great deal of pressure from the industrial organisations to combat. But his principal duty is clear. For many weary months and years restrictive practices in British industry have been on trial; until particular practices are placed on the registration list, that trial, in a sense, continues. But the moment they do reach the list, the trial is over. With the usual provisions for reprieve in cases of quite exceptional provocation, they assume the grim status of those who have passed before the judge's black cap.

This attitude will, of course, be attacked as one of hostility to industry. The answer should be quite obvious; but, in case it is not, let it be put formally on record. Unless private industry can shake itself clear of the accusation of restriction and monopoly, it will have no defence against the creeping tide of public control and collective ownership. It is because we believe in the system of individual enterprise and the market economy, and wish to see it preserved, that we urge Mr Thorneycroft on.

Timeless Test or World Series?

ONCE again the West is being advised to turn away from defence pacts and to give the central place, in its effort to preserve peace and freedom, to economic aid, particularly for Asians and Arabs. The controversy is no new one. It raged during last year's debates on Indo-China and on the South East Asia treaty. Earlier still, there were many who welcomed Marshall aid for Europe, but looked askance at Nato. Today, the argument is newly sharpened by Communist moves. Russia, reacting quickly to the completion of the "northern tier" alliance in the Middle East, has blown on the embers of Palestinian war and of Afghan imperialism, using bellows made at the Skoda arms factories, and has also conjured up visions of large-scale economic aid for free Asian countries. These visions, admittedly, have been dangled before Asian eyes ever since the Moscow economic conference in 1952, evoking both impatience and scepticism; but now, with Soviet technicians already at work in India and Afghanistan, and fresh offers made to Burma and Egypt, the promises have a less hollow ring. Next week, when the Baghdad Pact allies hold their first conclave, many commentators—in Europe as well as in Asia—will doubtless be arguing that their alliance is a needless provocation, and that, in the relaxing climate of 1955, defence treaties are outmoded while non-alignment and a sack of roubles are *dernier cri*.

It was pointed out in *The Economist* of October 8th that the confluence of "Geneva spirit" and "Bandoeng spirit" made a dangerous mixture—that the apparent abeyance of any threat from the North had led many free Asians to think that they could crusade to their hearts' content against the receding West without imperilling their own freedom. This background, and the new Communist moves in the immediate foreground, present the West with a nice problem in perspectives. The extent to which defence pacts stabilise and reassure some Asian countries has to be measured against the suspicion and jealousy they arouse in others; and in all such calculations there is obviously an important place for economic aid. But the point that urgently needs making is that to state the issue as a simple choice between alliances and aid programmes is wildly misleading.

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The choice is not so simple, and the issue is not so restricted. Neither a military nor an economic formula will solve a problem that is fundamentally political; nor will a concentration of effort on Asia solve a problem that is world-wide; nor should the pressures of the moment blind anyone to the fact that the real problem is a long-term one. Least of all should the nature of this problem be mistaken because it has been plastered

with such mild-looking labels as "competitive co-existence." What the free societies of both the West and Asia now face is a challenge to mortal combat—no less mortal for being largely non-military.

Last Sunday, addressing the world in the key speech of the Russian revolutionary anniversary, Mr Kaganovich proclaimed this "the century of the triumph of Communism"; and, after tossing in a few phrases presumably meant to reassure Colonel Nasser, U Nu, and other Bandoeng friends that they will not be toppled for a few years yet, he proceeded to give the Communist empire its marching orders for the advance to ultimate and total victory. The same thesis has been exhaustively set out by Soviet writers and broadcasters in recent weeks. "Country after country" is to be pushed or pulled into the Sino-Soviet orbit until freedom is finally extinguished. Every "contradiction" arising in other countries must be exploited to this end. This very week, one official Communist spokesman illuminatingly described the revival of conflict between Israel and Egypt as "a very good thing for the comity of nations and world peace."

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It would be naive to identify this, the real challenge, with the bluff invitation to a fair contest in economic progress between "capitalism" and Communism that Mr Khrushchev lately issued. If a fair contest was really in prospect, the free world could face it, not, indeed, with complacency, but without alarm. Its strong position was tacitly conceded by Mr Kaganovich himself on Sunday, for he had to admit that it was "essential for the victory of Communism" to secure "the rapid and extensive introduction of the latest achievements of foreign science and technology." But in fact the Soviet rulers show no readiness for a fair economic contest. They have preferred to fight mainly with political weapons—and to fight foul. And in such an all-in bout they have many advantages.

They begin with the advantage of a docile population schooled from infancy in false ideas about other countries' patterns and standards of living. Despite oblique admissions such as Mr Kaganovich's, they still make costly and elaborate efforts to ensure that only the best features of their own system are publicised, while themselves making the utmost propaganda use of every mote in the democracies' eyes—with the help of the plentiful material provided by democratic newspapers and politicians. They foment labour unrest outside their borders, while within those borders they have made trade unions into slavish tools of the state. They have not hesitated to squeeze their own subjects, who have no means of protesting, in order to extract resources

for use either as economic lures or in building up over-awing military strength.

No greater scruples and no less flexibility mark their political tactics. Last week, the men who have built up the greatest monolithic power bloc in all history—extending from Bohemia to Tonking—readily joined U Nu in publicly condemning the whole idea of blocs. They claim credit for relaxing world tensions while simultaneously fanning the flames of war in Palestine and on the Afghan-Pakistan border (by “ordinary commercial transactions”), and shattering the Germans’ hopes of attaining reunion through free elections (which Russia had promised them only last July). Professed champions of self-determination, they yet deny that right not only to Germans but also to fellow Slavs, to the three Baltic peoples, and to a dozen Asian peoples between Azerbaijan and Tibet. They see no discrepancy between their revolutionary creed and their present courtship of some of Asia’s most reactionary rulers. U Nu’s short-lived belief that Russia is Asian was gladly seized upon by Mr Khrushchev, despite the effort his propagandists have made in recent months to emphasise that Russia is “the greatest European power.” China’s solemn promises to respect India’s territorial integrity have not prevented its troops from crossing the Garhwal border, any more than Moscow’s talk of peace has prevented Mr Khrushchev from personally uttering threats to representatives of Canada and Turkey in recent weeks.

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This superb flexibility in manoeuvre is something that the free nations cannot hope to match. They cannot keep their own peoples in blinkers; they cannot restrict visitors to tours of show-places; their difficulties and internal quarrels are bared to the world; they cannot gag their politicians and journalists and thereby hush up criticism of other countries that loses them goodwill. Lacking the absolute control that the Communist machine enables Moscow and Peking to exercise over their satellites, they can close ranks only by forming defensive alliances—which provoke automatic protests from the “uncommitted,” and provide Communist propagandists with a major theme. They cannot imitate the Russian technique of directing offers of economic aid and munitions to wherever a latent conflict between non-Communist countries can be livened up.

Moreover, western aid is already so taken for granted by many countries that the subject becomes “news” only when there is talk of tapering it off, while Soviet aid has the glamour of novelty. It is thus that the strange picture takes shape of Asians and others rapturously hailing isolated and limited Soviet offers, while scarcely acknowledging the much larger amounts of western aid already received. Particularly ironic is the way countries that have preferred to receive western aid through multilateral mechanisms, such as the United Nations, the World Bank and the Colombo Plan, in

order to avoid the shame of direct obligation to one donor, seem ready to accept Soviet offers in a nakedly bilateral form. They thus give Russia a propaganda advantage which it would have lost if it had dutifully played its part in the multinational programmes alongside the West.

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These facts alone show that merely to step up western economic aid can provide no more conclusive answer to the Communist challenge than the extension of defence pacts has done. Political and psychological factors will be fully as important in determining whether freedom survives, in both Europe and Asia, as economic and military factors. The Communist challenge is neither to war nor to a straight economic race in the open; it is to a contest to see which side can more favourably and forcefully impress the peoples of the whole world. Moscow and Peking would like it to be a rigged contest, in which they, and they alone, would be able to advance claims that cannot be checked and to disrupt other competitors’ efforts by every kind of splitting tactic.

The free nations cannot break or bend the rules so ingeniously; their institutions as well as their ideals make that impossible. But they can at least show imagination in putting their achievements and attitudes across to the “uncommitted,” to peoples under Communist rule whenever opportunity offers, and to their own peoples. This will not be achieved merely by a high-powered, glossy propaganda operation; the world grows more sophisticated every day, and to seek to veil blemishes and errors that are all too apparent is to invite total disbelief. Much will have to be done on the level of personal relations—and particularly race relations. Perhaps the most important element is time. There is already growing up in Russia itself a generation sceptical about its fathers’ dogmas and about official descriptions of the outside world, a generation more concerned to secure decent living conditions than to shoulder the burden of winning the world for Communism. Again, the time may soon draw near when the novelty of Soviet gestures wears off, and Asians and others come to expect as much help, and as much honesty, from the Communist powers as they now expect from the West. Experience is an effective, if painful, eye-opener.

Seen in this light, the great contest is by no means a hopeless one. But the first thing that needs to be recognised is that the Communist rulers’ ambitions sentence the whole world—not just the West—to a long period of “struggle,” which may take many forms, and in which there will certainly be apparent lulls. The free peoples, too, have to learn to take the long view, to be misled neither by moments of calm nor by new twists in the game, and to remember that real peace will come only when the doctrinaires in Moscow and Peking recognise that they cannot make this or any other “the century of the triumph of Communism.”

A Place for Spain

“RATHER than go through that again,” said Hitler of his meeting with General Franco in 1940, “I would prefer to have three or four teeth taken out.” To the cautious dictator of Spain, these words from a recognised master in the art of out-talking must have read like the most delicate of compliments. And as it turns out, he has not merely out-talked but out-sat most of his fellow dictators. Emerging from the war with some of the advantages of nominal neutrality, he managed to stay in power, to deflect the combined execration of the victorious allies, survive the singularly ineffectual denunciation of his regime by the three western powers in March, 1946, and flourish—within reason—despite the exclusion of his country from the benefits of Marshall Aid or of membership of the United Nations.

Indeed, General Franco has lived on to become a military partner of the United States and to be knocking gently at the gates not merely of the UN but also of the Atlantic alliance. More, he has reached the enviable position of receiving courteous attentions from the Communist powers (described in *The Economist* of October 29th) and a visit from the American Secretary of State. This, then, is surely the point at which the western nations as a whole should re-examine their policy and decide whether the time has not come to draw Spain back into their comity. Specifically, this means deciding how to answer two questions. The first is “Shall we support the move by the Canadians at the UN Assembly for the admission of eighteen new members, Spain being one of them?”; and the second, “Should we support an invitation to Spain to join Nato if the Spaniards let it be known that they would like to join?”

A fair case for an affirmative answer to both questions can certainly be made out. It could start from the axiom that General Franco’s Spain, with or without American aid, is unquestionably anti-Communist; and that with American aid in modernising its forces and in building air bases, Spain has a substantial military contribution to make to western defence. Although the concept of “peripheral” defence is outmoded, the strategic importance of the country is evident. Spain’s ports and air bases command access to the sea routes of both Atlantic and Mediterranean, and it could provide the American forces, in time of war, with points of entry less vulnerable than those of north-western Europe.

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It need hardly be pointed out that the now vestigial policy of ostracism of Spain is unrealistic and therefore self-defeating. But in the present context of the tactics of “co-existence unlimited” pursued by Moscow, it holds an additional danger. This danger is not that

General Franco will be driven into the arms of Mr Khrushchev; it is rather that a Spain disappointed with the volume of American economic aid may be driven into a commercial—and perhaps eventually a military—neutralism on the Nasser model.

There is no question in this context of blindly rushing to “outbid” the Russians, who in any case have not, so far, entered a bid for General Franco’s favours in the same sense as they have for those of Colonel Nasser. But this does not mean that the western countries should, by sins of omission, encourage what could be a dangerous drift. As regards the specific and more limited issue of Spain’s admission to the United Nations, there has never been a legally valid case for excluding its government from UN membership, or indeed—at the time—from participating in the Marshall Plan; exclusion could be defended at any time only if it benefited the Spanish people, which has never been the case. Spain is, moreover, already a member of several UN specialised agencies and other international organisations. And if there is to be any question of providing new seats in the Assembly for Outer Mongolia, Bulgaria, Albania and other entities whose governments have no will of their own, it would then be ludicrous to leave Spain outside the doors of the world’s main representative organ.

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It cannot be denied, on the other hand, that many objections to a complete western *rapprochement* with Spain can be raised. Some of them are sentimental or demonstrably irrelevant; but others are concrete, topical and valid. The two kinds need to be considered dispassionately and in isolation. Among the emotional objections, by far the strongest is the abhorrence of Franco Spain that developed, during the Spanish civil war, in all non-fascist countries. The overtones of the civil war are still heard, however faintly, above the more insistent hum of preparations to meet a threat from the East; and the most sensitive ears belong to men of an age to have fought in that war on the Republican side. In short, antagonism to General Franco is still a political fact in the western democracies, and it cannot be ignored.

The Spanish civil war, however, ended sixteen years ago. The readers of western newspapers, who have seen scarcely a word in his favour during those years, may not like General Franco any more now than in 1946, when the western powers hoped to bring about his downfall by the mere fact of their denunciation. But his regime also is a fact, which western antagonism has done nothing to alter and may, indeed, have consolidated. The Franco regime is today, moreover, a perceptibly less virulent autocracy than during the after-

math of the civil war. The great majority of the political prisoners have been amnestied; there is now a fair measure of freedom of speech and of person; even the censorship of the press, stifling though it remains, has shown signs of tentative relaxation; and too little has been written about Spain's social legislation which, though it has tended to encourage economic stagnation, has also noticeably enhanced welfare.

Even to the extent that Spain remains totalitarian—and it is far less so than any “people's democracy”—the character of its regime seems of limited relevance to the point at issue. Only two weeks ago, the Queen and the people of London were welcoming the President of neighbouring Portugal, who presides over a proudly anti-democratic regime. During the same week the British and other western governments gave recognition to the authoritarian regime set up by Mr Diem in southern Vietnam, so similar to the personal dictatorship of Dr Rhee in Korea. And no one suggests that western friendship for Yugoslavia implies wholehearted approval of Marshal Tito's brand of Communism.

Another objection to friendship with General Franco rests upon his record during the war. It is not necessary to accept the view, diligently pressed by Spanish spokesmen, that Britain should be grateful to General Franco because he refused to join Hitler. But if ex-enemies can be readmitted to international bodies, cannot ex-neutrals come in too?

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When the less relevant objections are disposed of, however, it remains true that there are strong arguments against Spain's admission to Nato, if not to a western *rapprochement* with Franco outside the Nato alliance. The original instruments that bind the western countries in alliance—the Brussels Treaty and the North Atlantic Treaty—comprise definitions of moral and political aims that exclude Franco Spain. If this interpretation is still considered valid in the light of the admission of Portugal and of the evolution of the Franco regime, then two courses of action are theoretically possible.

The first is that the preambles of the relevant treaties should be amended, and that Spain should then be invited to join Nato; the second, that Spain should remain outside Nato but be regarded as a “member of the family,” even, perhaps, to the extent of liaison between some Nato commands and Madrid. Of these courses, the second is far to be preferred. The surviving antagonism felt towards the Franco regime, though it may be irrelevant to the question of a general *rapprochement*, remains an important factor in so far as it affects membership of Nato itself.

If the reactions of member governments in the Atlantic alliance when the point was raised by the Portuguese Foreign Minister last May are still a reliable guide, the Norwegians and Danes as well as the British

and French would strongly object to Spain's admission. It is thus very doubtful that the benefits of admitting Spain would outweigh the disruption it would cause among the present members of the Atlantic alliance. But there seems no reason why Spain, already linked with Portugal by a pact of friendship and with the United States by economic and military agreements, should be treated any differently from Yugoslavia, whose co-signatories of the Balkan treaty are also members of Nato.

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It should perhaps be added that the western nations might reasonably ask a price of Madrid for a general abandonment of western ostracism. It is that the Spanish government should desist from indulging in the international pinpricks that periodically irritate certain western nations without bringing any corresponding benefits to Spain. Gibraltar is a case in point; so is French North Africa. The Spaniards are entitled to whatever reservations they may wish to make about the status of Gibraltar; and they are within their rights in giving asylum to nationalist leaders from French Morocco. But they cannot expect the British people to react with enthusiasm to anti-British incidents over Gibraltar, such as those of last year; nor can they expect the French government to condone the harbouring in Spanish-controlled territory of guerrillas bent upon killing French soldiers. If hatchets are to be buried it should be a mutual process.

True Pursuit of Sobriety

Drunkenness is so great an evil, that it probably requires, as we see from the abstinence or temperance of those who can command any quantity of wine or gin, no correction but its own consequences. But when zealots who have formed a theory derogatory alike to man and nature, believe that the natural motives for sobriety are not all-sufficient, set about establishing a system of restraint, or the creation of numerous artificial motives for the practice of sobriety, they beget, and cannot avoid begetting, the belief that there is something pleasant, advantageous, and even delightful in drunkenness, or there would be no reason whatever for their conduct; and thus they make drunkenness appear a delight and probably increase the vice, by their hasty ignorant zeal, they are most desirous to extirpate. At any rate, the success of the zealots for sobriety has hitherto been so small, that the least reflection should make them doubt the wisdom of their own proceedings, and willing to believe in the possibility, if not in the probability, that they may act on an erroneous theory. If this be possible, let them further reflect that the drunkard only destroys himself, but that they, if they promote drunkenness by a false theory, destroy great multitudes of drunkards and injure the national character. Is it not possible that the upper classes might, with equal advantage to themselves and all others, interfere less with the morality of the people?

The Economist

November 10, 1855

Notes of the Week

Molotov's Monster

“WHY did they do it?” is the first question naturally evoked by the Soviet government's decision to celebrate Guy Fawkes's weekend by halting the Geneva debate on Germany not with a whimper but with a bang. But a second question also at once arises, which is less easy to answer: what are the prospects that this Soviet policy will achieve its aims—and what risks does it involve for all parties, not excluding the Russians?

In flatly repudiating the July directive from the four heads of government, which called for “the reunification of Germany through free elections,” Mr Molotov used arguments which he evidently did not expect anyone to take more seriously than he did himself. He denounced Nato as an arch-enemy and supreme danger, although he had just suggested, with every sign of calm, its continuing for an indefinite period. He preferred to accept Federal Germany's present membership of Nato rather than take a chance on a united Germany deciding to stay out of it. He claimed that free elections would deprive East German workers of “their factories and wealth,” overlooking the way they are fleeing from that “wealth” at the rate of over a thousand a day “especially the skilled workers,” as the East German prime minister complained last week.

The Soviet rulers' real motives, however, are not far to seek. They presumably think it worth while blackening their own faces momentarily by letting off this week's thunderflash, so that, starting from that extreme position, they can later offer apparent concessions to German opinion. They hope eventually to be able to deal, either directly or through their puppets in East Berlin, with German ministers less clear-headed than Dr Adenauer and Herr von Brentano, and to lure them on to the primrose path that leads to a Soviet-dominated Germany. But one wonders whether the patient planners in Moscow have foreseen the exact shape and dimensions of the monstrous growth they propose to nurture?

Almost by definition, the kind of West German politicians with whom they might some day reach a bilateral agreement must be men prepared to turn their backs on western friendship and on western traditions of liberty, prepared to accept at least the essence of the bogus electoral methods which Mr Molotov last week described as “highly satisfactory” in Russia (they satisfied Hitler, too), and infected with the arrogant notion that they can “handle the Russians.” Has Mr Molotov a nostalgic yearning to sign, some day, a new pact with a new Ribbentrop? The ignorant over-confidence so lavishly expressed in Moscow during this week's revolutionary anniversary carries with it a very real threat to the future not only of the German and West European, but also of the East European, peoples.

Geneva's Other Visitors

FOR every member of the four participating delegations at the foreign ministers' conference, there has been at least one outsider whose journey to Geneva was less demonstrably necessary. Some of these travellers have been “observing,” with varying degrees of legitimacy, the proceedings of the conference; others have been standing in the wings hoping to pick up a few crumbs worthy of a nibble. Some have installed themselves in dignified aloofness in the less bespoken hotels; others have been prowling the *Maison de la Presse* under cover of press cards of dubious professional authenticity, lobbying as much as listening.

Mr Sharett was among those whose excuse for dropping in on the party was unquestionably valid; and Azzam Pasha, former secretary-general of the Arab League, could at least claim that where Mr Sharett trod, there might he also; while Mr Fawzi, the Egyptian foreign minister, came no nearer to Geneva than Zürich. Mr Ngo Dinh Nguyen, brother of the South Vietnam prime minister, had genuine business to discuss with M. Pinay. On the other hand, correspondents were tempted to wonder, in no spirit of spoiling other people's sport, how so many “official observers” from West as well as East, and, indeed, Middle East, had come to be regarded as their colleagues.

But the most interesting of the visitors to Geneva could at least claim that he was by no means an outsider, for Mr Wang Ping-nan, the Chinese ambassador in Warsaw, got in first. And in the six days of each week in which he has not been engaged in talks with Mr Alexis Johnson, the American ambassador in Prague, on matters of common interest, he has found much to occupy his energies. He has already been successful in persuading the Italians to agree to the appointment of a technical committee of experts to consider the furthering of commercial exchanges between China and Italy; he is reported to have sounded French officials on the possibility of talks, and to have exchanged views with Japanese representatives. At this rate, Mr Wang may well leave Geneva with more in his hand than any other visitor.

The Problem of Treachery

THE practical outcome of the debate on Burgess and Maclean is not an altogether happy one. The convening of a small, informal conference of Privy Councillors from both sides of the House to examine security arrangements in the Foreign Service, though it will certainly keep

the crucial problem of reconciling national security with the liberty of the subject in parliamentary hands, will also keep further investigation of the Burgess and Maclean case itself in the hands of those who have been reporting to the nation about it all along; and who have therefore most interest in continuing the present degree of reticence. As the Prime Minister rather naively observed, the proposal was not made because Privy Counsellors can claim to be better than other people (judges, for example), but because those who dealt with these matters before "can now usefully discuss them further." Such an inquiry will hardly elucidate many points still in dispute—whether, for example, security arrangements as they existed in 1951 could have picked up Maclean or Burgess sooner or stopped them escaping, and whose was the responsibility for the failure.

But it is of more importance that any inquiry should find out if the apparently far more thorough security checks brought into operation since 1951, and described in general terms by Mr Macmillan, are effective. These checks sound as exhaustive as any that a liberal society may impose on its civil servants or scientists. They are not yet too exhaustive, and it is vital to avoid the atmosphere of McCarthyism in which they could become so. The House obviously and rightly disapproved of some incipient signs of this attitude which emerged during the debate, such as the allegations of treachery reprehensibly thrown against a former Foreign Office servant from a privileged place. Although Labour suggestions that the real trouble lies in a class or educational bias in the Foreign Service were designed as good clean party fun, there was a danger in them too. The idea that it is Blimps in striped pants who are particularly soft upon commies in their class may seem too silly to be taken seriously; but it was precisely this association of silly ideas in the Acheson age that gave McCarthyism its initial popular impulse. "Widening of entry" to the Foreign Service—which simply means lowering standards—really would not help.

The Cost of Insecurity

ASIDE from these undertones, however, what really emerged from the debate was that it was not until several years after the war against Hitler that the need for a new approach to the security problem was realised; the question now is, are enough resources of time, personnel, intelligence and money even yet being devoted to it? It is clear that not only the British public, but also Britain's allies, need to know that they are. The injury inflicted by Maclean and Burgess in passing secret information to the Russians may have done less damage than the extent to which their defection, following the Fuchs and Pontecorvo cases, undermined American confidence in British reliability; and forced Washington to maintain atomic security bars which, as Lord Mountbatten pointed out last week, have set the Royal Navy back a year or two in building atomic submarines. The effect on smaller allies, some of which have to cope with a far larger communist fifth column, must also be discouraging.

There is, however, another side to the affair. It is a facet of the particularly difficult character of the world struggle: while both parties in the wars of religion showed

intolerance, today one side is attempting to defend tolerance, which can only be done by practising it. This is a short-run tactical disadvantage; but it should be a long-term advantage. The damage that could be done by restrictions of liberty that would betray the cause of the West itself would be the greatest of all. It is commonly complained that in recent years American diplomats under the shadow of McCarthyism have feared to take action on delicate matters, have even feared to send frank reports home, lest they got into trouble for revealing allegedly subversive attitudes. The Communist states, whose diplomats live permanently under the shadow of a statutory witch-hunt, often lose goodwill and even miss tactical chances because of the resulting inflexibility of their diplomatic machine; which, even so, does not prevent an occasional defection to the West.

The case of Burgess and Maclean may be regarded as an honourable casualty to which the West was laid open by the very nature of its cause; but the lesson must be learnt, and methods must be devised to make another such betrayal improbable if not (as the Prime Minister properly cautioned) impossible. One useful course would be for the Privy Counsellors to extend their inquiry to the anti-espionage methods used by other liberal countries—a sort of Nato productivity team on security. There is something to be learned by all these countries from each other.

Hedging and Ditching

ONE of the most interesting features of the post-budget debates has been the appearance of a far larger lobby than usual in favour of cutting the burden of agricultural subsidies, which now amount to about £250 million a year. Mr Butler himself has thrown out a hint that farmers should expect unpleasant shocks at next February's price review. Although they have had a profitable year, the farmers are preparing their defences. They indignantly point out that they face the possibility of substantial increases in both rents and wages, which (if they materialise) will far outweigh the extra profits of between £10 million and £15 million which the elimination of rabbits has added to the value of this year's harvest.

The case for higher agricultural rents is overwhelming, and is at last being actively pressed by the Country Landowners' Association. Agriculture is one sphere where long-term investment is already sagging and is in fact well below the requirements of improved efficiency. A major cause of this—and of the poor state of repair of many farms—is that rents now take only 6 per cent of average farm expenditure, compared with 15 per cent before the war. But if rents were raised merely enough to keep pace with the repairs' bill, the effect would be to add at least £40 million a year to farming costs. The farm workers' current claim for £7 a week in place of the present £6 7s. is more controversial, but their economic position has undeniably deteriorated in the last few years. Partly as a consequence, no less than 5 per cent of regular full-time workers quit the land during the last year. This wage claim, if conceded in full, will add about £16 million to farmers' costs.



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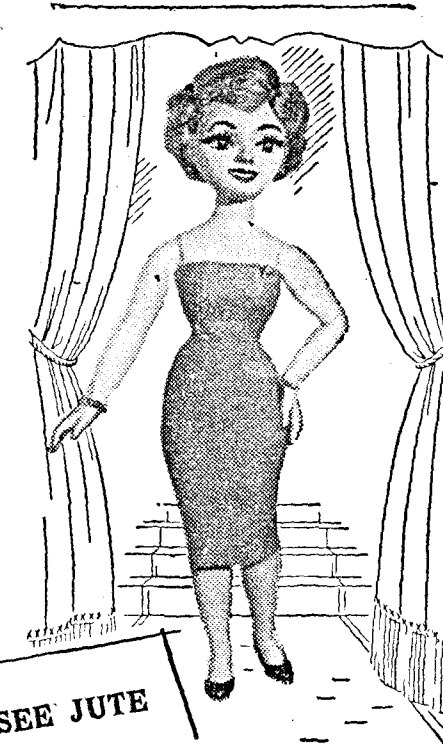
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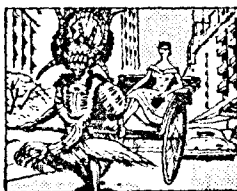
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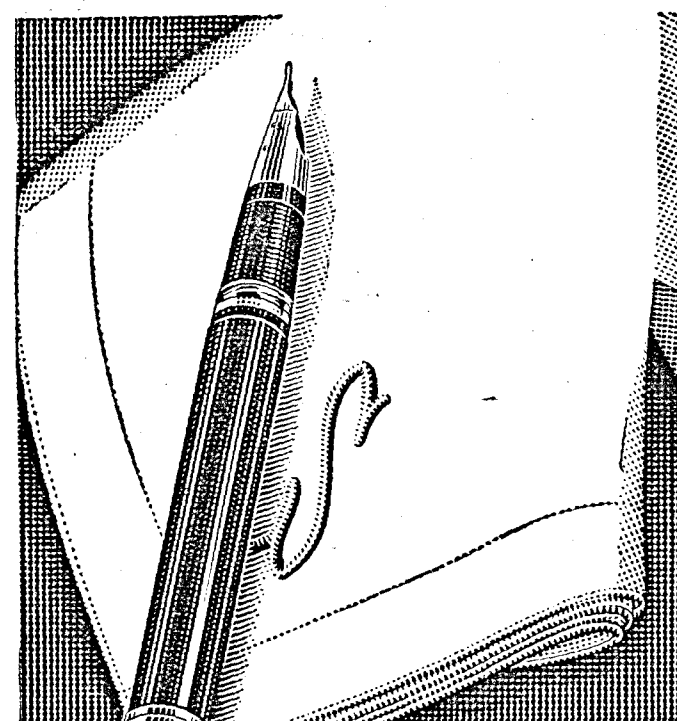
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It is against this background that the February bargaining will take place. The Government will be under great pressure to say merely that farmers must absorb these new costs themselves; and to leave the subsidies to run on at their present, though not at an increased, level. But this would be very cowardly. Government policy next February should begin to move away from the cost-plus conventions of fixing guaranteed prices in agreement with the farmers towards concentrating limited Exchequer aid at those points where it will genuinely assist agricultural efficiency. This approach will be politically awkward, the more so as last February the Government ran away from the problem under the shadow of the election. But no other way now exists of squaring the agricultural circle; and, despite the threatened increases in costs, there will be no better year in which to start doing so.

Dalmatian Encounter

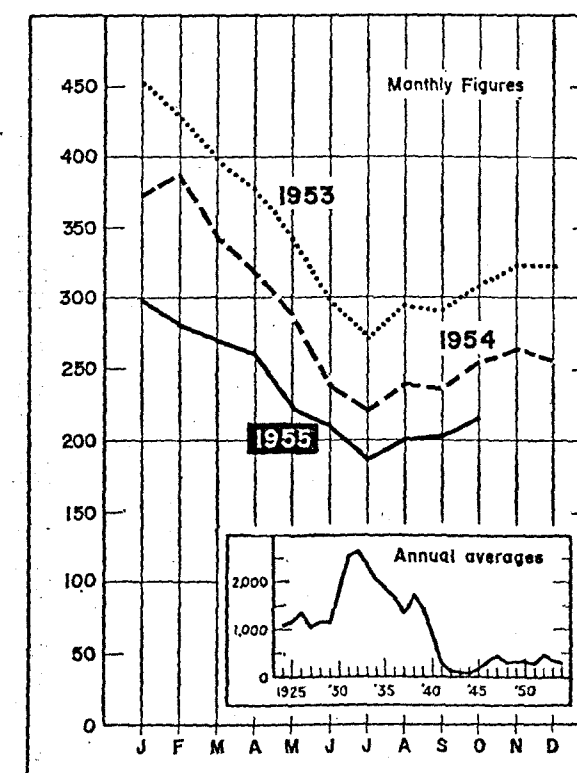
ONE is tempted to think that if more international meetings could be held in the idyllic surroundings of a small Dalmatian island, with trips in a motor-boat thrown in, the world might get on a good deal better. At any rate Mr Dulles and Marshal Tito seem to have been well pleased with their discussions last weekend, even though they did not see eye to eye on everything.

The mere fact that the visit took place at all was gratifying for the Yugoslavs, since it gave them an opportunity to demonstrate their independence from the Russians in

the international field. (The independence of their economic policy is discussed in an article on page 572.) Moreover, Mr Dulles did not go to Brioni to iron out American-Yugoslav difficulties and misunderstandings; this was done a few weeks ago by Mr Robert Murphy, with such success that *Politika* can now say that relations between the two countries "are today firmly based on mutual respect and are not at present troubled by any unsettled questions." Mr Dulles apparently went to exchange ideas on some wider international problems, such as Germany, on which there remain differences of opinion, and the Middle East, where he perhaps hopes that Marshal Tito may play a moderating role when he visits Colonel Nasser next month. Mr Dulles's visit was in fact a notable compliment to the skill with which Marshal Tito has raised his country's international status.

One rather unexpected outcome of the talks was Mr Dulles's disclosure that the two statesmen had agreed in "recognising the importance of the independence of those states (of Eastern Europe), non-interference from outside in their internal affairs, and the right to settle the social and economic order in ways of their own choice." The words belong to Mr Dulles, but there is a strong flavour of Marshal Tito's ideas about them. In the Yugoslav view, the way to salvation for the countries of Eastern Europe does not lie through free elections but through a breaking of the bonds that tie them to the Soviet Union so that they can each find their own way to the socialism which, according to a recent talk on Belgrade radio, is "an imperative, an unavoidable necessity." The Brioni statement was unexceptionable as far as it went, but it may unfortunately contain the seeds of disagreement between Yugoslavia and its western friends in the future.

UNEMPLOYMENT IN GREAT BRITAIN (THOUSANDS)



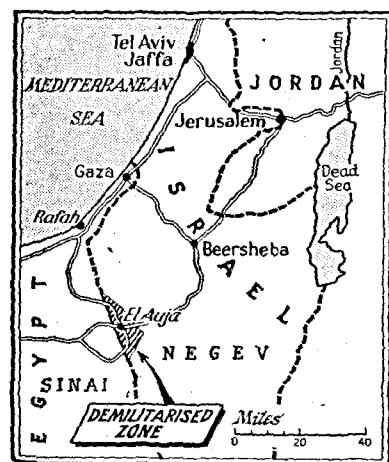
Whose Commandment for Sinai?

THE impression given by a visit to the Egyptian and Israel armies in northern Sinai is that of two dogs circling and snapping with hackles stiff, and liable at any moment to break into sustained fighting. Every day the sound of gunfire somewhere along the 155 miles of truce line emphasises how narrow is the margin between truce and war. Yet deterrent factors exist on both sides.

Egypt is ruled by a soldier and realist who—whatever he may say—knows in his heart and mind that, militarily speaking, a real battle at the far end of tenuous trans-desert lines of communication could not be won. What suits him is just what is happening—encounters frequent enough to produce the headlines in Cairo that make him indispensable as his country's leader. Simultaneously, every Israel probe or attack serves to recover his lost position in the Arab world; lately, they have won for him the military agreement with Syria and Saudi Arabia that he had failed to bring off when tension was lower.

Israel is far less well served by an atmosphere of tension and eve-of-battle. What it needs is the permanent settlement from which weak Arab governments would derive no advantage, and many of its citizens think that a sharp onslaught intended to force a settlement now would be the best way to its goal. Yet, if the Israel army were to attack Egypt in force, in the hope of reaching the conclusion that

would suit it, there is nothing to go for short of the Suez Canal. The aggression would be so flagrant that it might endanger the flow of help from official American sources. Many an Israeli politician must be pondering how far Egypt's policy of filling its arsenals from Soviet bloc countries can be used to make Washington see red.



Yet the very existence of such deterrent factors suggests that a third-party peacemaker, such as Mr Hammarskjöld, Sir Anthony Eden and Mr Dulles, have some practical foundations on which to build as they exert their moral strength. In their different ways, they have all proposed the holding

ing of a line, if the combatants will agree to fix one. But the fixing is, as it has always been, the rub; to agree to fixture is as much as an Arab politician's life is worth, and there is no way to alter this constant factor except by persuading Israel to make territorial compromises, which again is asking the impossible. The target for the present, therefore, is to prevent Israel from trying to force the settlement of a line; and now that the British base on the Suez Canal is gone, the only external physical ability to do this lies in the United States Treasury.

"To Catch Up With America"

MR LAZAR KAGANOVICH, an elder member of the party hierarchy, was chosen this year to define Soviet policy on the 38th anniversary of the Russian revolution. In dealing with foreign affairs he elaborated the line of "competitive co-existence" which is now being plugged throughout the Russian press. Indeed, he branded as "fools or provocateurs" those who talk of "revolution for export"—firmly ignoring the way that "revolution" was undoubtedly brought into Eastern Europe on the bayonets of the Red Army. It is now argued that capitalist countries will fall one by one into the Soviet basket like rotten plums. A world conflagration is not needed, when time and some adroit prodding will do the same job.

The Soviet Union now shows no inclination, while awaiting or speeding this decline of the West, to draw back even for tactical purposes. Mr Kaganovich on Sunday foreshadowed very clearly Mr Molotov's intransigence on Tuesday over German reunification. The Soviet bloc is not willing to cede territory as a prelude to the extension of its orbit. In the meantime, much remains to be done in order to consolidate the bloc and the Soviet Union itself. Mr Kaganovich proudly proclaimed the overfulfilment of the current five-year plan, but he did not entirely forget the seamy side of the picture: poor housing conditions, need for more grain, the technological lag behind the West

in many fields. In fact he resurrected the old slogan—"to catch up with and outdo America."

Comparisons with the West are now presented in rather more reasonable terms. For years Soviet propaganda has insisted only on the fact that Russia is the biggest industrial power in Europe. Now the party journal, *Kommunist*, while reiterating this claim, adds that the next stage must be "to equal and outdo" the advanced western countries, particularly the United States, in terms of production per head of major commodities. Total production is the yardstick of a country's striking power, production per head throws more light on its living standards. The next five-year plan, which will be disclosed before the February congress of the Soviet Communist Party, should show how quickly the Russians expect to close the gap and to what extent housing or other consumer needs will be taken into account in this economic race with the West.

When Unions Can be Sued

A JUDGMENT of great importance in trade union history was given in the House of Lords on Monday. Their lordships unanimously allowed the appeal of the widow of Mr Harry Bonsor from a decision of the Court of Appeal that he was not entitled to damages for his wrongful dismissal from the Musicians' Union. The Court of Appeal in 1954 had already ruled that his expulsion was null and void under the union's rules; but it had also ruled that Mr Bonsor was not entitled to recover damages. Damage had certainly been done to him: as the Musicians' Union is a closed shop union, he was unable to follow his profession, and took first to chipping rust off Brighton pier and then to working in an engineering shop at much lower wages than he could have earned as a musician. But the Court of Appeal considered itself bound by a decision in 1915 of the same court, in the case of *Kelly v. National Society of Operative Printers' Assistants*. The court's reason for refusing damages to Kelly was that a member of a voluntary association who was injured by some wrongful act done by an agent of the association's members could not recover against his fellow members, whose responsibilities in the circumstances were no greater than his own. In other words, it said that a union member could not sue his own union.

This week, however, their lordships decided that Kelly's case had been wrongly decided. They referred back to the famous Taff Vale case of 1901, when a railway company successfully brought an action against the Amalgamated Society of Railway Servants, which had called a strike, and which subsequently had to pay large damages. That case had shown that a registered union is a legal entity which can sue and be sued. Subsequently the Act of 1906 deliberately reversed part of the Taff Vale judgment. It laid down that a union cannot be sued for tort, but it did not say that it cannot be sued for breach of contract. And both the printers' union in 1915 and the musicians' union in 1953, in their lordships' view, had committed a breach of contract.

It would be wrong to say that the Bonsor judgment will be a powerful influence against the principle of the closed

shop. Unions can still exclude a man from membership, and therefore from his job, if they keep within their own rules. But this decision may impose some check upon tyranny by local officials, who sometimes stretch those rules to accord with their own personal dislikes or views upon working habits or political opinions (and whom union headquarters find it embarrassing to control). The Bonsor case, unlike some other cases in the trade unions' long history, should not therefore be regarded as a blow against unions as such; it is a small but significant blow against occasional and contemptible despotism.

Doubts on Defence

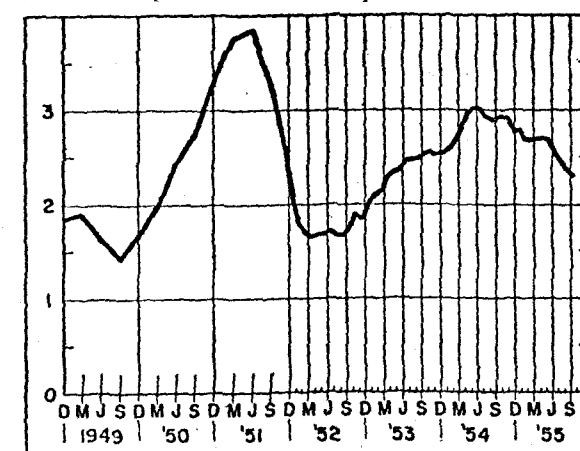
THE services' doubts about the new arrangements announced by the Prime Minister for strengthening the authority of the Ministry of Defence found forceful expression in the House of Lords debate. The attack came from retired officers and former ministers; but their fire was as accurate as the services could have wished; the Government's reply was hesitant. General agreement on the need for progressively closer service co-ordination left the service spokesmen solidly opposed to amalgamation for its own sake, or before technical developments required it. And none of them could see how the appointment of a chairman of the chiefs of staff could improve a degree of co-operation already ahead of that in most other countries.

The chiefs of staff certainly need a permanent representative at Nato; but his duties there will be surprisingly light if he is also to dominate the chiefs of staff at their regular meetings. The service view was given by Lord Hore Belisha when he said that an extra chief of staff for Nato could be more easily added by making the chief of staff to the Ministry of Defence (now General Brownjohn) a full member.

It may be argued that these views reflect service resistance to the control of the Ministry of Defence; in fact the services fear rather that the new arrangements will mean less decisive Government intervention on matters in

GOLD AND DOLLAR RESERVES

US DOLLARS (THOUSAND MILLION)



dispute between the chiefs of staff, not more. Such disputes do not usually occur on technical matters but on political or economic issues—such as the allocation of resources to each service. They feel let down if the Government does not settle such disputes outright. It is open to the Minister of Defence to sit in on their meetings and give directives on these matters; he could have, it is argued, as much power as Sir Winston Churchill wielded in wartime. But how can a service chairman with no departmental responsibilities help? His lack of responsibility offends against the principles set out in the Defence White Paper of 1946, which the Government firmly endorses; he is in danger of becoming a mere buffer. The danger will be that decisions—on integration or anything else—will be evaded. The Government spokesmen retorted that the plan is to proceed step by step; but it will evidently be necessary to take the next step very soon if the four-legged race is not to end in a hopeless mix-up.

Tackling the Slums

THE Minister of Housing has issued a summary of the local authorities' plans for slum clearance during the next five years. According to these local estimates there are altogether 847,000 "unfit" houses in England and Wales, of which 375,000 are to be demolished and another 88,000 are to be temporarily renovated during this first period. These plans envisage a quite rapid rate of progress, which would entail the provision of at least 80,000 new dwellings a year to cope with all the displaced families—a larger provision than Mr Sandys has so far considered likely to be needed.

The most striking feature of these proposals, however, lies in the extraordinary variations among the local authorities themselves. Newcastle has only 4,600 unfit dwellings, but Liverpool has 88,000; the County of London has 21,000, which is the same as Leeds and only a third as many as Manchester. Partly as a consequence, there are equally great variations in the expected rate of progress. Many authorities, including London, mean to complete their programme within the five-year period; but others—including Birmingham, Manchester, and Liverpool—will end the period with around 90 per cent of their present slums still standing.

Some of these figures are based only on "broad estimates," while some authorities are more zealous (or fussy) than others in their definition of what constitutes an unfit dwelling. But, even so, some cities face a very long haul; and if the spectacle of already condemned houses continuing in existence right up to the turn of the century is to be avoided, some rechanneling of Government aid—in addition to the measures already announced—is probably going to be essential. Moreover, Mr Sandys needs to look ahead. So much of Britain was built towards the end of last century that there are a vast number of old sub-standard dwellings which, helped along by the Rent Restriction Acts, are liable to decline rapidly into the category of "unfit dwellings." The slum lists being so long, it is clearly important that the power of condemnation should be used with sense and discrimination, and with greater



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uniformity throughout the country. (Apart from anything else, differences in definition of what are slums will exacerbate the coming storm about compensation to owners for pulling them down.) And it is still more important that everything possible should be done to prevent so rapid a rate of housing deterioration. This is another facet of a familiar problem. All discussions of housing policy come back to the same simple starting point: for the sake of tenants and prospective tenants, and not just for that of the landlords, the coming amendment of the Rent Restriction Acts has got to be drastic.

The Two German Armies

EX-GENERAL VON MANTEUFFEL, who commanded the *Grossdeutschland* panzer division in the war, and former Vice-Admiral Heye are members of the security committee of the *Bundestag* which is studying British defence organisation, particularly the relationship between civil and military powers. The two former officers represent something novel in Germany. In a country where military men traditionally looked down on politicians, it was striking enough when they stood for parliament. It was still more encouraging when the two led the movement in the *Bundestag* last summer against the government's hastily-drafted Volunteers' Act, on the grounds that it made no provision for civilian control of the new forces. They won the day. There is, it is true, still no German army to control—apart from the frontier guard, which will probably be incorporated in the future army. The first volunteers have still to be called up, and it is not certain whether there will be enough to provide the scheduled 150,000. The main body of legislation has not yet been passed. But the principle of civilian control has been established, to the great annoyance of many die-hards.

It is perhaps not sufficiently realised outside Germany how basically this West German army will differ from the force which exists across the zonal frontier. The Soviet German army is being groomed for civil war against the "class enemy" in factories and streets, while the Federal German force will be trained for normal defence under Nato. Soviet German propagandists extol their army as "the German working-class in arms," and declare that the armed factory groups are modelled on the "Red Ruhr army which fought heroically against the *Reichswehr* and struck terror into the iron and coal-masters and the Junkers."

Such warnings have not gone unheeded in the Federal Republic, where many responsible Germans believe that the most urgent need of the West is to create a force which will be morally prepared to fight for democracy in a civil war. Their fears have been increased by the Russians' nomination—without waiting for Bonn's *agrément*—of Mr Zorin as their first ambassador in Bonn. Mr Zorin, it is recalled, was in Prague at the time of the *coup d'état* which put the Communist minority in power in 1948, and he wants to bring a staff of many hundreds with him to Bonn. These symptoms of Soviet policy, and Mr Molotov's blunt indications that Germany must become a "people's democracy" or stay divided, have increased the number of Germans who look upon the Atlantic alliance as a vital protection rather than as a barrier to reunion in freedom.

Home Truth From India

THERE are occasions when it is a genuine pleasure to confess oneself in error. In *The Economist* of October 29th a comment on the visit to Delhi of the Secretary of State for Commonwealth Affairs included the accusation that important parts of Lord Home's address to the Indian Council of World Affairs had been suppressed in Indian newspapers. Information from more than one quarter had led to this misunderstanding and to the levelling of a charge which, it now appears, was unfounded. In fact, the majority of India's leading newspapers included the passages in question in lengthy reports of the speech. It is not only heartening to learn that the despondent deduction made in these columns was baseless; it is also fitting to address an apology to the journalists of a country whose greatest men have on occasion seen nothing unworthy about admitting that they had made a mistake. To term this particular affair a Himalayan blunder would be presumptuous; but one can stumble fatally even over molehills, and they need to be cleared away if two friendly and free nations are to continue in friendship and freedom.

Clean Air in the Commons

THE Clean Air Bill is causing the controversy that was to be expected. On the one hand, MPs from the smokier areas have warned Mr Sandys that they will try to "strengthen" his measure by a series of "toughening amendments" in committee; they have been joined by newspapers which think that, whenever a complicated Bill of this sort is under debate, the most impressive course for uninstructed leader writers is probably to make vaguely hortatory noises alleging that the Bill ought to go further. On the other hand, as an inevitable reaction to the exaggerated hopes that the smoke abatement propagandists have aroused, an opposition has sprung up to the whole Bill. A doctor wrote to *The Times* this week that if the Bill makes the British people "sit over coke fires all winter, health will deteriorate."

Amid this conflicting advice the Government has so far steered a surprisingly sensible course. Its Bill will not make many people sit over coke fires all winter, and will not multiply bureaucrats to come and peer at the grate. It holds out the hope of ridding the air of a good part of Britain's industrial smoke, and a small part of its domestic smoke, within the next few years. And the plea that should now be addressed to the small group of MPs interested in the Bill is that, until they know more about the subject than they showed in their speeches at the second reading last Thursday, they should please hold back from supporting amendments which, under the guise of "strengthening" the Bill, would in fact make it too top-heavy to work.

This plea does not apply to any amendments designed to increase the number and efficiency of factory inspectors under the Alkali Acts; those amendments should probably be pressed. But to every other criticism Mr Sandys, albeit rather timidly, seemed to give exactly the right answers on Thursday. The choice before the mass of frankly bewildered MPs on this very technical measure is really quite simple. The department that has advised Mr Sandys that the present

Bill goes "as far as practicable" is the department that has considered successive Town and Country Planning Acts to be eminently workable. If any MP thinks that this department is likely to underestimate the extent to which a measure may be workable, he may justly join forces with those who are seeking to scare Mr Sandys into allowing Mr Nabarro's amendments through. But if he maintains any sense of proportion, or even of humour, it is difficult to see how he can really allow this to happen.

How Not to Appoint a Committee

IT was Philip Guedalla who said that the ideal investigating committee should consist of "four just men and a statutory woman." The Franks Committee, which has been set up to inquire into the practice and procedure of administrative tribunals, offends against this admirable precept in every respect. It consists of fourteen men and two women; and its members have been deliberately listed as "representing" industry, the trade unions, landowners, the social services, the political parties and almost any other group that might be interested.

There are two criticisms to be levelled against this committee before it even starts its deliberations. In the first place, it is far too large. This means that it is bound to take a long time to do its job; and at the end it is all too likely to produce either a negative report, or a positive one flanked by a confusing array of minority and dissenting opinions. Secondly, "representatives" of special interests have no place on a committee of this kind. The proper function of "representatives" is to give evidence to a compact committee of independent judges, not to sit down and haggle together in the hope that somehow a synthesis of their separate views will emerge.

The inquiry stems from the intense disquiet generated by the Crichton Down affair. It was promised first in the Conservatives' election manifesto and then in the Queen's Speech opening the new Parliament. Some Tory MPs have feared that the terms of reference might not be wide enough; but the Prime Minister confirmed on Tuesday that the committee will be able to consider what is obviously the central issue—how a citizen aggrieved at the handling of his case by the administrative machinery might be given some right of appeal to the courts. It is a pity that the citizen seems destined to wait a long time for his new deal; and then when it comes it seems certain to be compromising instead of a clear cut one. Indeed, this does not look like an investigating committee so much as a burial ground for this burning issue.

Filling the Dental Gap

THE Dentists Bill, which was concocted by the Labour Government and then left over from the first Conservative Government, has been warmed up, covered with a sauce and sent to the parliamentary table again. It received its second reading last week in an amiable atmosphere. Even the one practising dentist in the House of

Commons, Mr Baird, the Labour MP for North East Wolverhampton, expressed qualified approval of it.

Dentists, in general, are slightly more tolerant of this Bill than of its unsuccessful predecessor. They have always approved of the proposal to make their profession self-governing instead of a dependant of the General Medical Council (although they think that the proposed General Dental Council will be overweighted on the academic side and not representative enough of the ordinary dental practitioner). But the sauce that is really making the Bill more palatable to them lies in the stronger safeguards now surrounding its other main proposal: namely, the overdue experiment with the training of dental ancillaries, who will work in hospitals and local authority clinics. The treatment these ancillaries will carry out, which will include the extraction of milk teeth and the filling of teeth, will now be undertaken only on the direction of a qualified dentist—which means that he must see the child's mouth first. Furthermore, the Minister of Health assured the House that the experiment would not begin until after the McNair committee on recruitment to the dental profession had issued its report.

For the background to the whole proposal is that there are only about 12,000 dentists in active practice, which is probably less than half the number needed to give an adequate service; and the number of first-year dental students is now below 500, compared with a peak soon after the war of 650 and with the 900 which the Teviot committee on dental manpower recommended some ten years ago. Yet dentists are now earning comfortable incomes. Their average earnings before the recent restoration of the 10 per cent cut in fees were £1,500-£1,800 a year, net of practice expenses; and Mr Baird suggested that this probably means an average of about £3,000 a year for the 35-50 age group. The public's only hesitation about the Bill must be whether this proposal will make any real difference to the gap, since the ancillary workers, if eventually employed on a large scale, would presumably have to be drawn from the ranks of young women whose services however are competed for by so many other professions.

France's Forked Radicals

MENDES-FRANCE emerged from last week's Radical congress with a great personal success and with a better hold on the party machine; but M. Edgar Faure, the Prime Minister, still commands the support of most Radical deputies in the Assembly. The fact that the Radical eagle has two heads is nothing new. The split personality of this political "club," which provides ministers for every government and premiers for many, epitomises the indecision of the French centre whether to turn left or right. Thus the rivalry between the two former friends and colleagues is at the heart of the unfinished electoral battle. An early polling date, without any great alterations in the electoral system, ought to reinforce the rightish coalition which gave M. Faure the premiership. M. Mendès-France, on the other hand, hopes that a delay would give him time to consolidate his position in both party and country and that the system of *arrondissement* (single-member constituencies with double ballot) would enable him to return with a strong bloc of *Mendèsistes* and Socialists.

In this contest the chances of M. Mendès-France seem the less bright. True, the party congress has endorsed his programme—including the reduction of military service and a progressive policy on wages—which will prove more palatable to Socialists than to any other party. Radicals, however, have an art of combining high-sounding principles with electoral interests, and it would be an extraordinary departure from precedent if deputies elected with conservative support should now decline it for reasons of political purity. The character of the *arrondissement* method should enable M. Mendès-France to look beyond his party for support. The two-ballot system would allow his own and Socialist candidates to exploit, during the week's interval, either the "red peril" or the fear of "reaction." Yet, even allowing for such a victory of "lesser evil" candidates, the Socialist-Mendèsiste bloc cannot hope to command a clear majority in the next Assembly. Since the former premier emphatically refuses Communist backing, he would have to look rightwards for support; and, for the moment, M. Faure has a better reputation for directing coalitions wagged by their conservative tail. Besides, the *arrondissement* idea, thrice rejected by the deputies, can be saved now only by a crisis. If Frenchmen are to go to the polls next month, it will have to be under some form of proportional representation.

Unions Called to Account

THE registration of a trade union does not only involve the ability to sue and be sued. It also imposes an obligation to present to the Registrar of Friendly Societies an annual statement of accounts, and these are summarised in the Registrar's annual reports. The report published this week for 1954 shows that the average expenditure per head of the 410 registered trade unions was £2 4s., while the average contribution was only £2 2s. 11d. Within these averages, of course, there was considerable variation; for example, the craft unions levy a larger contribution than the general unions.

The figures do not mean, however, that the unions are gradually becoming insolvent. They have an income from investments to meet the deficit, and their total funds increased by over £3 million during the year to £73.9 million. Not all of them, however, were so thrifty; the Communist-controlled Electrical Trades Union, for example, spent so much money on strike pay—17s. 10d. a head—that it drew down its funds from £724,000 to £441,000. Expenditure on strike pay in general was higher than in any year since the war, and at £483,000 was nearly twice as great as in the previous year. Expenditure on benefits varies widely according to what the union provides. For political purposes the average contribution per head was 1s. 7d., whereas average expenditure per head was only 1s. 2d. The political funds have therefore been mounting, and at £981,000 were nearly twice as great as at the end of 1945. Mr Morgan Phillips may contemplate this hoard rather ruefully, as well as the figure of 899,000 obstinate trade unionists who insist on contracting out of the political contribution. But the Labour Party is now likely to get more of the accumulated funds.

The political expenditure of employers' associations—

over 100 of which are registered trade unions within the meaning of the Act—is not high considering that the members are in effect firms, not individuals. Contributions averaged £3 13s. a head and expenditure £3 19s., of which 7s. 9d. was used for political purposes. But the finances of employers' associations may well be a matter of envy to trade union officials with their relatively meagre salaries; some day soon they will have to persuade the membership that contributions only 19 per cent higher than 1938 are hard to square with the rise in prices, of which elsewhere trade unionists are so deeply conscious.

Graduates in Industry

THE demand for more graduates in industry, especially more scientists, technologists and first class honours men generally, is increasingly voiced at business conferences. But the actual proportion of the annual out-turn of graduates that industry is recruiting has hitherto been conjecture. The PEP inquiry* has thrown useful light on the subject. Questionnaires were sent to those who took their degrees at British universities and university colleges in 1950 asking what positions they had since held; some 30 per cent replied, so the sample is felt to be representative, though it perhaps under-emphasises the number who took up careers overseas. It appears that industry in general—including mining, oil and building and contracting—took 30 per cent of all those who graduated in 1950, and commerce another 7½ per cent. Taken by itself, manufacturing industry accounted for 23.4 per cent; and, rather surprisingly, it took as high a proportion of those who got first-class honours in 1950—23.7 per cent of them. Less surprisingly, it took 45.4 per cent of those who took a degree in technology, 33.8 per cent of those who took a degree in science, and only 10 per cent of the arts men.

The principal competitors for the graduates are, of course, the professions and civil service—especially teaching, with school teaching taking the largest number of graduates and university teaching taking its pick of the firsts. Obviously the professions must be staffed; and if teaching is undermanned the next generation of industrial scientists and technologists will not appear. It looks as if the demands of industry can be met only by increasing the proportion of those taking science and technology, or by producing more graduates in total. But to increase the number of scientists is a matter of finding more teachers and probably more young people with a scientific bent, which will at any rate take time. To produce more graduates may well mean simply manufacturing more poorish thirds, which would be less use to industry than the "sandwich course" men. Is industry perhaps demanding more brilliant minds than nature herself is prepared to produce? The top five per cent of the nation's intelligence is itself a small cadre which should be used economically. And since the PEP report disclosed that between 1950 and 1954 industry lost ten per cent of the graduates which it originally attracted to the idea of a business career, it had perhaps best consider how to prevent its own wastage before it encroaches on the needs of other occupations, or presses claims which the educational system cannot meet.

* "Graduates' Jobs." Political and Economic Planning. 2s. 6d.

Letters to the Editor

As Far As It Goes

SIR—Your correspondent, Mr J. Hancock, is completely inaccurate in suggesting that London Transport is "squandering" money on road vehicle replacement. There is no unnecessary expenditure involved either in London Transport's future plan to replace trolleybuses, or in the disposal of any other road vehicles which has taken place since the war.

On trolleybus replacement I need only say that the old vehicles, when replaced, will have run some twenty years on the streets of London, will have had a mileage of about 900,000 miles per vehicle, and have already had their bodies completely rebuilt once. The replacement of these vehicles is both necessary and economical. The vehicle chosen for the replacement is the oil bus, because of its great advantages of mobility and operational flexibility over the trolleybus; but the need for this renewal programme and its cost would have been the same whether new oil buses or new trolleybuses had been employed.

London Transport's postwar disposals of oil buses have also consisted for the greater part of very old vehicles which, owing to war conditions, had far outlived their normal lifetimes, plus a much smaller number of wartime and immediate postwar "austerity" buses of non-standard design.

Nearly all London Transport's old buses have either been broken up or else resold overseas for service where neither traffic conditions nor the standards demanded by passengers are comparable to those of London. A small number of the "austerity" vehicles has been sold for operation outside London in areas where traffic conditions are in general far less onerous.

There is one point I should like to emphasise strongly. The traffic congestion on London streets which continually grows worse makes a fleet of first-class modern buses essential if running schedules—as far as possible—are to be maintained for our passengers. It is because London Transport designed and introduced the present RT bus fleet, with their excellent road performance and handling qualities, that we have been able, to a considerable extent, to counteract the severe effects of increased traffic congestion.

With regard to Mr Hancock's reference to noise and fumes of oil buses, the RT bus is certainly not noisy, and no public vehicle operator is more scrupulous than London Transport in its pre-

cautions to avoid public nuisance from exhaust fumes.—Yours faithfully,

R. M. ROBBINS
London Transport Executive, S.W.1

Any Pennies for the Guy?

SIR—You show a close and flattering attention to the affairs of the Labour party, which constantly receive more notice in your columns than do those of the Government party. This being so, it is unfortunate that your discussion of Labour party policy should almost always be conducted in totally unrealistic terms.

The Labour party agrees with you in wanting a rapidly expanding, high investment economy, but in little else. It believes, as a matter of fundamental principle, in a more equal distribution of the national income and wealth. For the combination of these two objectives, amongst other reasons, it wants more—and not fewer—controls than we have today. It does not share your instinctive aversion to "distortions" in our economy; it regards many of them as essential weapons against the inherent unfairness of a free economy.

You do not accept these views. You are indeed still further from accepting them than are Mr Butler and the bulk of the Conservative party. To this attitude you are of course fully entitled. But you should also recognise that the objectives which the Labour party seeks, and which you reject, are desired by a very large number of electors in this country. Do you want these views to go unrepresented? What possible constitutional theory prompts you to expect Labour policy to be founded upon your advice rather than upon its own beliefs? Yet this is the assumption on which you work. You proclaim an economic policy somewhat to the right of that of Her Majesty's Government. When the Opposition does not accept it, you accuse them not only of being wrong, which would be permissible, but of being either stupid or dishonest, which is merely silly. It is a pity that your comments on politics at home should be made increasingly uninteresting by this foolish arrogance.—Yours faithfully,

ROY JENKINS
House of Commons, S.W.1

[If we give more space to Labour's affairs it is because there are so many of them.]

Mr Jenkins first says that Labour agrees with us on objectives, and then says that we reject them. Obviously he is confusing objectives and methods. Like all Socialists, he thinks that all those who doubt the wisdom of Labour's methods must be disagreeing with its benevolent objectives. Yet it is he who accuses us of arrogance.—EDITOR.]

Political Suburbs

SIR—I am indebted to Mr Louis Harris for amending my suggestion that commercial polling enterprises could not afford the expensive methods used by the University of Michigan survey of the 1952 American election.

Mr Harris's second objection to my review must surely be the result of hasty reading on his part. He quotes me correctly: "The much touted swing of the female vote to Mr Eisenhower in 1952, to which Mr Harris devotes a whole chapter, is belied by the University of Michigan study. . . ." Then, after admitting the existence of "some disagreement between the two studies on this point," and then further depreciating the completeness of the Michigan study, he concludes: "The critical fact, brought out by a number of independent measures, is that proportionately women voted more heavily for Eisenhower than did men." That this is a fact, though hardly a critical one, I have never questioned; the issue, which Mr Harris does not face, is the shifting of votes. Women supported Mr Eisenhower more strongly than did men; but in 1948 they supported the luckless Mr Dewey more strongly than men, too. Before one discovers an important clue to the Eisenhower victory in a feminine landslide, it would be prudent to see whether women shifted more, or less, than men towards voting Republican in 1952, as compared with 1948, the year of Republican defeat.

The Michigan survey does indicate, however, that women who did not vote shifted more markedly in sympathy towards the Republicans in 1952 than did men who did not vote. Is it possible that the Roper surveys did not wholly succeed in distinguishing between voters and non-voters, and hence overrated the feminine role in the Eisenhower triumph?—Yours faithfully,

YOUR SPECIAL CORRESPONDENT

Confucius, He Say . . . ?

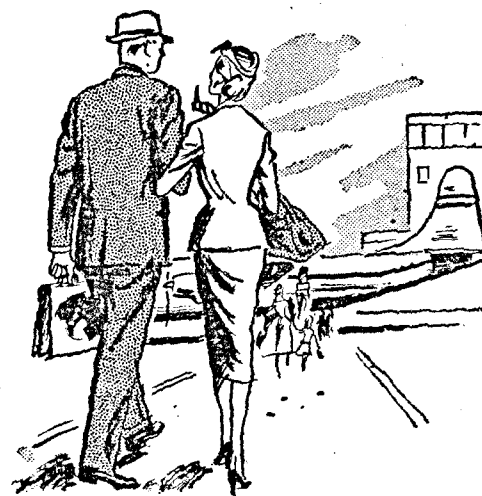
SIR—As I understand it one of the main objects of monetary policy exercised through the Bank Rate is to force the country to work on smaller stocks and thus reduce imports and improve the balance of trade.

When the present Chinese Government came into power in Shanghai they were faced with an inflationary situation to the nth degree. They solved it with conspicuous success by imposing a monthly tax on stocks of all commodities. If it were administratively possible to impose such a tax in the United Kingdom with a tax rebate if such stocks were subsequently exported, would not monetary policy be made much more rapidly effective?

Should this suggestion not be too impractical, the principle might be extended to taxing bank advances every month if they exceed what the Chancellor considers safe. I mean, of course, tax the bank and not the customer.—Yours faithfully,

R. SCHLEE
London, E.C.3

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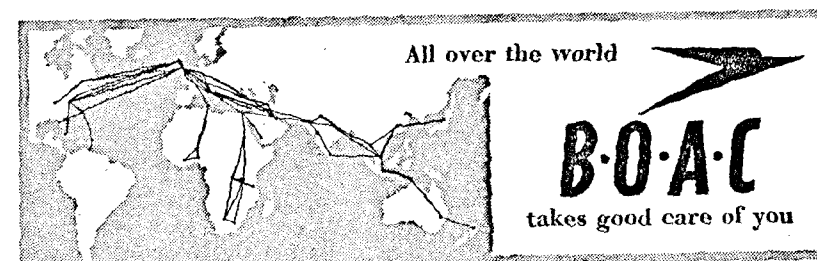
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American Survey

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

Stevenson at the Post

Washington, D.C.

UNLESS there is a last minute change in his plans, Mr Adlai Stevenson will announce next Monday or Tuesday that he is a contender for the Democratic presidential nomination in 1956. In striking contrast to his situation in 1952, when he was drafted by the party's convention, this time he will become the first candidate in either Republican or Democratic ranks to be formally in the field.

This distinction bears certain perils. The combined effect of the President's heart attack and the late dates of next year's nominating conventions has been to lengthen the pre-convention phase of the election campaign in relation to that of the campaign proper. During these two phases the public opinion polls have opposite functions. Before the conventions their results are of great importance to the candidates, since the parties are seeking the man in their midst most likely to succeed; once a candidate has been nominated, however, it is up to the polls to prove that they can, in fact, forecast the outcome. By declaring his intentions thus early Mr Stevenson will expose himself to the erosion of public scrutiny for nine long months before coming up for his party's selection and for three months after that. In 1952 he was in the line of fire for rather over four months and only after the Democratic party was committed to him.

On the other hand the image of himself which Mr Stevenson most needs to eradicate is that of a Hamlet-like character, whose hesitations as a politician presage indecision as a statesman. In the last four years much has altered. Before the 1952 elections, Mr Stevenson shared the widespread view that it was "time for a change" in Washington; privately he may even have agreed that General Eisenhower was the man to bring it about. After he had accepted the nomination he fought the campaign largely as an amateur—although one who knew the rough and tumble of Illinois politics—and surrounded himself with academic and amateurish advisers. Since then two things have happened: Mr Stevenson has become deeply convinced that a Republican Administration was an unfortunate experiment and he has acquired professional status.

Nothing endears a defeated candidate so much to the professionals in his own party as hard work after the election to help pay the party's bills. Mr Stevenson devoted nearly two years to this task, and in the course of it made himself acceptable to many party workers who had felt slurred by the prim line he tended to draw in his campaign

speeches between himself and the politicians. Although urged by northern liberals to become a true "leader of the opposition," a personage unknown in American practice, by proclaiming a programme antithetical to the President's and unwelcome to the right wing of his own party, Mr Stevenson has preferred to help mend the divisions between Democrats. This has also been the main pre-occupation of the party's congressional leaders.

★

Of the three Democratic candidates most prominently in the public eye, Governor Harriman of New York, Senator Kefauver of Tennessee and Mr Stevenson, it is the last who least offends the South—a region vital to the party. It is he, moreover, who stands nearest to that middle road and sense of non-partisan tolerance which people sought when they turned to General Eisenhower. In effect, Mr Stevenson's great strength lies in the breadth of his appeal, attracting the liberals by his intellectuality and the conservatives by the moderation of his views.

Against these advantages his rivals do not look very strong. It is hard to take Governor Harriman's candidature as seriously as some of the eastern newspapers have done. In one way he may be helped by his association with New York's Tammany Hall, that most famous of big city machines, but in many parts of the country this very association arouses traditional hostility. The full-blooded "new dealism" on which he relies puts him out of key with the present era of good feeling. New York is a powerful state but even there signs are accumulating that Mr Harriman is very far from being a united choice.

His main chance appears to arise from a possible deadlock between the forces of Mr Stevenson and those of Senator Kefauver. The latter will seem powerful when the Democratic convention meets only if he can repeat his 1952 performance, when he won thirteen out of the fifteen presidential primaries he had entered. These primary elections—in which voters indicate their preferences among their own party's potential candidates—are a conundrum for the political strategist. Only in 17 of the 48 states is there any machinery for the voters to choose by direct election the delegates to the national party conventions. The delegates from the majority of states are chosen by county and state conventions. It is therefore perfectly possible, as happened in 1952, for a candidate such as Senator Kefauver to win the great majority of his party's primaries and be eliminated

at the national convention by a candidate such as Mr Stevenson who had not entered a single one. Moreover, not only does this make the sampling of popular opinion highly erratic, but the ground rules are different in each of the states concerned.

Some of Mr Stevenson's advisers, fearing a trap, were in favour of keeping him aloof from these trial heats. But it soon became clear that such a plan would not work. A candidate cannot be coy a second time. There would be rough hints from the South, from Mr Truman and from other politicians, that what applied in 1952 to a Governor of Illinois who was unwilling to run unless drafted, would not in 1956 apply to a private individual who wanted the nomination. Furthermore, if Mr Stevenson can eliminate Senator Kefauver before the convention by decisive primary victories it is difficult to see how he can fail to win the party's nomination. It seems, therefore, that Mr Stevenson is thinking of entering half a dozen primaries.

Apart from these, however, there is a special danger for Mr Stevenson in becoming a full-time presidential candidate during a whole year. In a period of peace and prosperity he will be obliged, in order to find election issues, to harp repeatedly on occasional Republican misfortunes. In the process, he may forfeit some of the freshness of impact that aroused so much enthusiasm in the United States and abroad in 1952. Mr Stevenson's neatly syllogistic formulations will not work for ever. It is very well for him to say once that Republican farm policy has failed, that high and rigid price supports are not the sole answer either, and that fresh thinking is required. If he says it too many times, people will ask why an unemployed intellectual such as himself does not do the fresh thinking. If he rises to the bait Mr Stevenson may suffer the fate of any opposition leader who produces a constructive policy that could divide his own side.

Moreover, the one factor which seems most seriously to have aroused Mr Stevenson against the Eisenhower Administration was its foreign policy. He was deeply upset at the decline in American prestige throughout the rest of the world and blamed it on Republican misjudgments. It would be a pity if, as is suggested by his recent speeches, Mr Stevenson were to overlook the changes that have taken place in the Administration's ways. The rest of the world was profoundly thankful for Mr Stevenson's protests against a foreign policy of menace by slogan. It would be sad to see him become obsessed with the subject of Mr Dulles's past inflexibility.

Fords for Sale

New York

EARLY next year the public will have an opportunity to buy a share in the world's largest family-owned business. The private empire of Henry Ford, a conspicuous anachronism in the industrial society it once led, has finally bowed to the principle of broadening the base of business ownership. The Ford Foundation, a non-profit-making trust financing educational projects, at present owns over 88 per cent of the outstanding stock of the Ford Motor Company. Its trustees have decided to sell about 15 per cent of

this holding on the open market in order to diversify its investment portfolio. At the same time the members of the Ford family, who at present own all of the company's voting stock, have agreed to relinquish to the public at least 60 per cent of their voting rights. But since the shares sold to the public are expected to be widely distributed, a close-knit holding of as little as 10 per cent of the voting stock could keep the controlling voice within the family. These decisions mark the end of fifty-two years of family rule, and the negotiations behind them have kept dealers and prospective clients in Wall Street excited for over a year.

Seven large investment companies will share the coveted task of underwriting the issue and the selling group is expected to include some 500 firms in all parts of the country; they will be charged with giving the largest equity financing in history the widest possible distribution, especially among small investors. But the most eagerly-read document will be the registration statement that the company is now preparing to file with the Securities and Exchange Commission. It will disclose for the first time the earnings, assets, dividends and financial record of the company's fabulously successful operations. The chairman of the board of directors, Mr Ernest Breech, has already revealed that the company's profits for the first nine months of 1955 are greater than total profits in any previous year. For all of 1955, they will surpass the total earnings of the company for the twenty-one years prior to the second world war. This suggests that the net profit after taxes in 1955 will be between \$325 million and \$350 million; this would be equivalent to between \$6 and \$7 a share on each of the 53,500,000 shares which will be outstanding when the Foundation's holding is split 15 for 1 and the Ford family's shares 20 for 1. If the stock is valued by the underwriters at the conventional rate of ten times net earnings, its initial price would be between \$60 and \$70—and the entire initial offer of nearly 7 million shares may yield a record \$400 to \$500 million. The Foundation may, however, prefer to set a slightly lower price in the hope of ensuring a steady upward movement of the market price, thus guaranteeing the popularity of the stock when more Ford shares are "dribbled out" of its portfolio. What makes this so unique an operation is the fact that all of the profits gained in Wall Street will go to charity.

Rainbow over Indiana

TUESDAY'S elections in fourteen states were concerned with local and state officials and with referenda on local questions, especially bond issues for highways and other improvements. Beforehand the search for national political significance was concentrated on the east coast—on the votes for a Governor in Kentucky, a Mayor in Philadelphia and a State Legislature in New Jersey. But on Wednesday the Democrats found a rainbow of results shining in the midwest over Indiana, where about a hundred mayors had been chosen. On Monday less than a third of them had been Democrats; soon two-thirds of them will be an extraordinary shift. The crock of gold at the foot of this rainbow lies in the memory that there was a similar swing to the Democrats in the mayoral elections in Indiana in 1947, before Mr Truman's unexpected presidential victory in

1948, and to the Republicans in 1951, before Mr Eisenhower's triumph in 1952. The glowing Democrats interpret this week's success as proof that the Republican agricultural failure is driving the farmers into their arms. This seems an oversimplification, for Indiana is also an industrial state and these were urban elections; it is, however, true that the decline in agricultural incomes is of almost as much concern to the shopkeepers and manufacturers who supply the farmers as it is to the farmers themselves.

Elsewhere Tuesday's results showed that the pendulum which moved in the Democrats' favour last November had not swung back this year. Even though they had an able young candidate untouched by the local party machine and specially endorsed by President Eisenhower, the Republicans did not succeed in winning the mayoralty of Philadelphia. The independent voters in that city were apparently satisfied with the competent Democratic reformers whom they put in office four years ago. In Kentucky, the emotional Mr "Happy" Chandler kept the governorship in Democratic hands, even though the party in the state was far from united in his support; it was not until the last minute that he received the backing of such influential Kentucky Democrats as Senators Alben Barkley and Earle Clements. Mr Chandler may not be in as close control as a Governor usually is of the state delegation to the Democratic convention next summer, but his victory adds to the uncertainty about what will happen there; he is no liberal. New Jersey at least brought some comfort to the Republicans, for they retained control of the State Legislature which they had feared they might lose.

Trade Plus Aid

IN a study entitled "American Imports," two private research organisations, the National Planning Association and the Twentieth Century Fund, have boldly urged the Administration to adopt a genuinely free trade policy. The study frankly acknowledges that the increase in imports which would result from lowering tariffs, and abolishing special devices for the protection of domestic industries, would cause distress in certain areas and would create further pockets of unemployment. But the answer, argues Dr Don Humphrey, author of the study, is a double programme combining free trade with help for domestic industries and communities injured by imports. In other words, if America's message to its allies has been "trade not aid," its message at home should be "trade plus aid."

It is unlikely that the Administration could persuade either itself or Congress to let down all trade barriers and replace "Buy American" with "Buy abroad whenever the prices warrant it," but President Eisenhower and his economic advisers appear to agree that more protection for domestic industries is not the right way of solving the chronic problem of America's depressed areas. The President will ask Congress next year to approve a domestic aid programme to those communities which, in spite of general prosperity, "still have persistent unemployment." They include textile-producing towns in New England, and coal towns in Pennsylvania and West Virginia. A year ago, 51 areas were officially recognised as suffering from serious unemployment; at present there are only 26, but they depend on industries which are among the most vulnerable

to imports and whose claims persistently impede the Administration's efforts to liberalise trade.

The President's proposals would establish a special agency designed to show communities "how to help themselves." Federal loans would be made to assist in establishing new industries and technical aid would be provided to help re-train unemployed workers. No one expects such a programme to abolish "pockets" of unemployment altogether. It would, however, weaken the case of those who argue that the best way of restoring full employment in Pittsburgh, for instance, is to reject a bid by the English Electric Company to build distribution transformers for a project in Idaho, although this bid is substantially below those made by American competitors. The political attractions of this "domestic Point Four" plan are obvious and the problem for the Democratic majority in Congress is whether to go one better than the President and offer a programme of its own, or to reject the plan on some plausible pretext and rob the Administration of the credit.

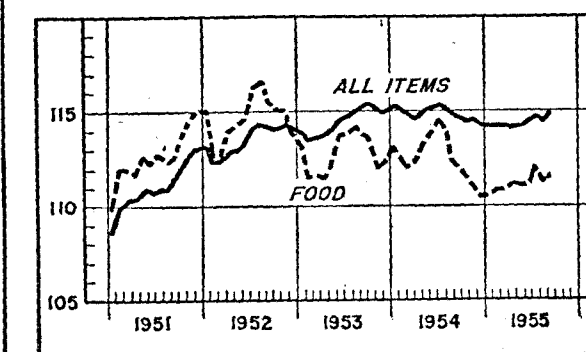
More Power Politics

THE Democrats are keeping up their running fight against the Republican Administration's alleged favouritism toward private electricity companies. Ever since last spring a subcommittee of the House of Representatives has been trying to find out whether the Department of the Interior is in fact giving preference, as the law requires, to publicly-financed systems of electricity distribution when selling the power generated from government-owned facilities. The Democratic majority on the committee claims to have evidence that the spirit, if not the letter, of the law is being ignored as the result of enquiries into the lengthy negotiations over the sale of electric power from the Clark Hill Dam on the Savannah River on the border of Georgia and South Carolina.

Rural electric co-operatives in Georgia have the right to purchase this power directly from the government, but the Department of the Interior has, since February, 1954, been proposing that they do so through the Georgia Power Company, a private firm associated with the notorious Dixon-Yates contract. The Administration argues that, in the absence of transmission lines between the co-operative

CONSUMER PRICES in the UNITED STATES

INDEX NUMBERS 1947-49=100





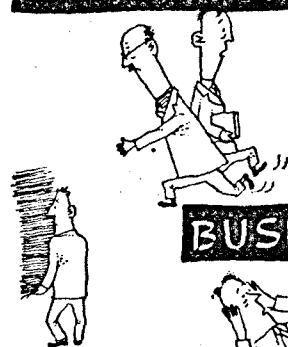
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distributing centres and the generating stations, and so long as Congress is not prepared to provide money for new lines, a "middleman" arrangement is the only practical one. Faced with strong opposition from the co-operatives, the department withdrew its proposed contract with the Georgia Power Company and began working out a scheme whereby the latter would not act as seller but merely as transmitter. Simultaneously, however, the Department of the Interior consulted the Attorney General who ruled that there should have been further attempts at direct negotiations with the rural co-operatives. Mr Aandhal, an Assistant Secretary of the Interior, did not disclose this

ruling to any of the parties concerned and continued to work out an arrangement with the private firm.

It is on this fact that Mr Earl Chudoff, the Democratic chairman of the subcommittee, has based his allegations of impropriety. According to Mr Chudoff, Mr Aandhal, a known opponent of publicly-financed utilities, has been deliberately carrying out an Administration plan to "blackjack" the co-operatives and promote private enterprise in the region. Mr Chudoff, moreover, claims that the plot was hatched at "secret" White House conferences and has demanded a list of all who attended the meetings concerned with the Clark Hill contract. Mr Sherman Adams, the President's Assistant, has refused to comply.

Flow of Funds

THE fact that the government today is relying so much on credit regulation to keep the United States on an even economic keel makes especially timely the publication of the Federal Reserve Board's new method of analysing the national economy. For this "flow of funds" system covers all transactions that involve transfers of credit or money; it thus goes farther than the two current systems which deal with national income and product and with "input-output," or technological, relationships between industrial groups. The new analysis includes transfers of existing assets, such as land, second-hand cars, securities and mortgages, as well as purchases and sales of new products. In effect it provides a balance of payments statement, similar to those worked out for international accounting, for each of ten groups, or sectors, which are responsible for the country's business activity.

Every transaction recorded is entered at least four times in the accounts: a cash purchase appears as a purchase, a sale, a reduction in the buyer's cash and an increase in the

seller's cash. The figures are in most cases obtained by adapting existing data and the main purpose is to clarify the links between financial and non-financial processes in the economy. The annual record has been carried back to 1939, but the board realises that quarterly figures, which it hopes to provide later, would be more helpful. The present form of the accounts is not final and they can be adapted as more practical experience is gained in their application and as statistical techniques improve.

Practical experience is also needed to show economists and businessmen how these new figures can best be used, but there is little doubt that eventually they will be valuable guides to many economic trends—to future demands for capital, to the composition of private debt, and to the probable effects of inflationary pressures and tax changes. In particular the new method of analysis should make it easier to forecast the financial prospects of consumers of all kinds and therefore to assess their coming demands for goods and services.

SUMMARY OF FLOW-OF-FUNDS ACCOUNTS FOR 1954
S=Sources of Funds. U=Uses of Funds.
(Annual flows, in billions of dollars).

Sectors	Consumer		Business						Government				Financial institutions						Rest of the world	
			Corporate		Non-corporate		Farm		Federal		State and local		Banking		Insurance		Other			
Transactions	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U	S	U
<i>Non-financial</i>																				
Payroll	193.7	2.5	...	116.3	...	29.8	...	2.6	...	18.1	...	14.8	...	2.1	...	2.8	...	4.7	...	*
Receipts from and payments on investment	64.9	17.2	9.6	21.8	17.8	40.9	1.1	15.1	1.1	5.7	...	8	1.1	6.4	2.3	4.2	3.3	1.9	1.7	4
Insurance and grants	27.0	24.2	1.4	12.8	1.1	3.1	...	5	...	8.4	16.6	13.2	13.0	*	3.5	5.1	18.1	5.9	1.4	2.3
Taxes and tax refunds	2.9	38.4	...	36.2	...	7.1	...	1.1	161.7	3.3	22.8	...	...	...	1.0	...	9	*	...	*
Capital acquisitions	24.5	66.3	2	20.9	1.8	5.4	...	4	4.5	*	3.5	...	9.0	...	2	...	3	...	2.6	...
Purchases and sales of other goods and services	...	155.5	521.1	1330.3	193.5	128.2	30.2	9.7	6.1	132.4	6.0	6.5	...	8	...	6	3.9	5.2	3.7	15.2
Total	313.0	304.1	532.8	538.4	214.2	214.5	32.2	233.3	377.3	742.9	44.5	7.3	6.8	35.3	26.3	13.0	14.1	18.0	17.7	...
<i>Financial¹</i>																				
Currency and deposits	...	6.5	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Federal obligations	...	1.8	...	1.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Mortgages	8.5	...	1.6	...	1.8	1.1	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Corporate securities and state and local obligations	...	2.7	5.7	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Other	2.1	5.5	2.2	1.2	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Total	10.6	13.6	5.1	...	2.2	1.6	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Grand total	324.0	324.0	537.8	537.8	216.4	216.4	33.0	33.0	379.7	747.3	47.3	17.5	17.5	35.6	35.6	13.9	13.9	19.5	19.5	...

* Less than 50 million dollars.

¹ Financial sources of funds represent net changes in liabilities; financial uses of funds represent net changes in financial assets.
Source: Federal Reserve Bulletin, October, 1955.

Farmers Union

FROM A CORRESPONDENT IN COLORADO

HALF a century ago ten men, united in common poverty, sat around a pine table in a country school-house in Texas, and by the light of an oil lamp drew up the articles for a new organisation with the ambitious title, "The Farmers Educational and Co-operative Union of America." They included a country editor, a doctor, a school teacher, a county clerk, and six local farmers. Together they borrowed \$1,000 to put their basically simple plan into effect. They proposed to organise local associations of farmers to buy supplies and necessities and sell the products of their farms co-operatively, thus by-passing middlemen, processors and others who, they felt, were sucking their lifeblood. Savings were retained in the common treasury to provide more working capital, and a small part of them went to support the National Farmers Union, as it came to be called, and its state and local affiliates, in order to carry on the educational functions implied in the original title.

The organisation spread over the Great Plains like wild-fire, among farmers who felt themselves oppressed, as the Populist and Granger movements had spread a few years earlier. Later, it ran into difficulties, largely because of the too ambitious co-operative programme. Then it was almost extinguished by the sweep of another organisation with an even more ambitious programme, the Nonpartisan League, which wanted to take over state governments. After the first world war, the Farmers Union made a slow come-back as the Nonpartisan League receded. But it was almost wrecked again in the depressed nineteen-thirties when its officials ignored the unspoken mandate to keep it out of partisan politics and tried to rally its members behind William Lemke, of North Dakota, the presidential candidate put up in 1936 by the fascist Father Coughlin, of Detroit.

★

After this the union adopted a new rule, that officers must not play a personal role in partisan politics. A few years later the union elected an aggressive and dynamic young man, Mr James Patton, of Colorado, as its national president, and since then its membership and influence have been climbing steadily though slowly. The union enjoyed high favour in Washington during the New Deal Administration, and worked for most of the farm programmes which were inaugurated then, such as soil conservation and rural electrification; it also believes in high price supports for farm products. Alone among major farm organisations, it backed the so-called Brannan plan for direct subsidies to the producers of perishable crops; in fact, the union's policies agreed so closely with those of the Democratic Administration that in some quarters it was described as the farmers' wing of the Democratic party.

When the Republican Administration came in, the American Farm Bureau Federation, the huge, powerful and conservative rival of the Farmers Union, took its place in Washington. The Farmers Union has since grown increasingly critical of the Administration's agricultural policies. In particular it argues that they are undermining family-type farming, of which it has always been the champion, and favouring the large farm units, run like

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businesses and worked by machinery and hired labour. The union has provided the spearhead of opposition to many of President Eisenhower's farm proposals, particularly through its influence in Congress, where many members from rural districts sympathise more with the Farmers Union than with the Farm Bureau.

In the last two or three years, as dissatisfied farmers have become increasingly concerned about falling prices, the union has moved right into some of the strongest Farm Bureau states, such as Indiana, Pennsylvania and Virginia. This has required little aggressive action on the part of the union itself; it has always been strong in the wheat areas but now it is invading the maize-hog belt. The union has branches in about thirty states but its twin bastions remain in North Dakota and Oklahoma, at opposite ends of the Great Plains; in each of these states it is by far the most important farmers' organisation.

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Today the Farmers Union is growing rich. Many co-operatives bearing its name have gone their own way and no longer contribute their share of savings; but there are still enough such contributions to provide more than \$1 million a year. The union has recently moved into a new national headquarters building in Denver, twelve stories high and costing \$3,500,000. When planned it was widely publicised as proof against anything except a direct hit by an atomic bomb; now even its builders admit that a near miss by a hydrogen bomb would vaporise it. Basically it is a hollow cube of the strongest reinforced concrete and it is the first large building for a long time to carry its weight on its walls.

After the last war the union, always seeking to organise vertically from raw materials to finished products in the interests of greater savings for its members, spent several hundred thousand dollars on prospecting for potash and phosphate in the western states. These explorations "hit the jackpot" and the union holds valuable leases on rich deposits of both minerals in New Mexico and Utah respectively. It has recently dramatised its emergence from rags to riches by going into partnership with two large private concerns, Kerr-McGee Oil Industries Inc. and the Phillips Petroleum Corporation, for joint development of these deposits.

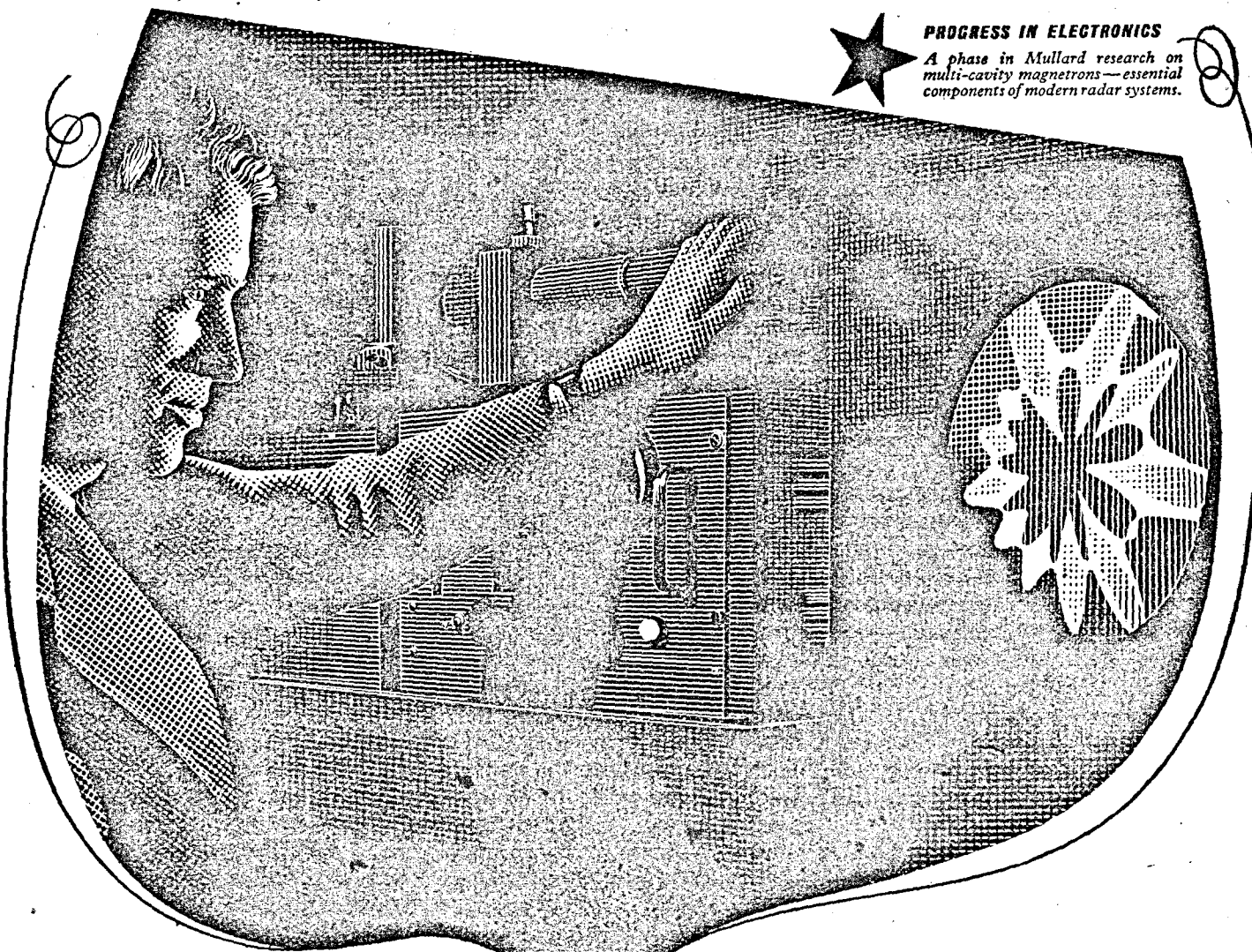
The ultimate purpose of the union's economic growth is to serve farmers cheaply and at the same time to amass funds to expand its elaborate educational programmes. Technically, it is an organisation of farm families—nearly 300,000 of them by now—and its educational and propaganda activities are directed at every member of such families from the toddler up; it also has a department of religious activities. When Mr Charles Brannan, Mr Truman's last Secretary of Agriculture, left Washington, he became the union's general counsel; since then the national organisation has hired so many of his former officials that some people have referred to the Denver headquarters as the New Deal agricultural department in exile. The suggestion seems to be that Mr Brannan and his friends will keep their hands in, and return in triumph to Washington, if and when the Democrats resume control of the national Administration. This is doubtful, but there is no doubt that the Farmers' Union will remain a powerful, articulate and probably influential critic of the Republican Administration.

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PROGRESS IN ELECTRONICS

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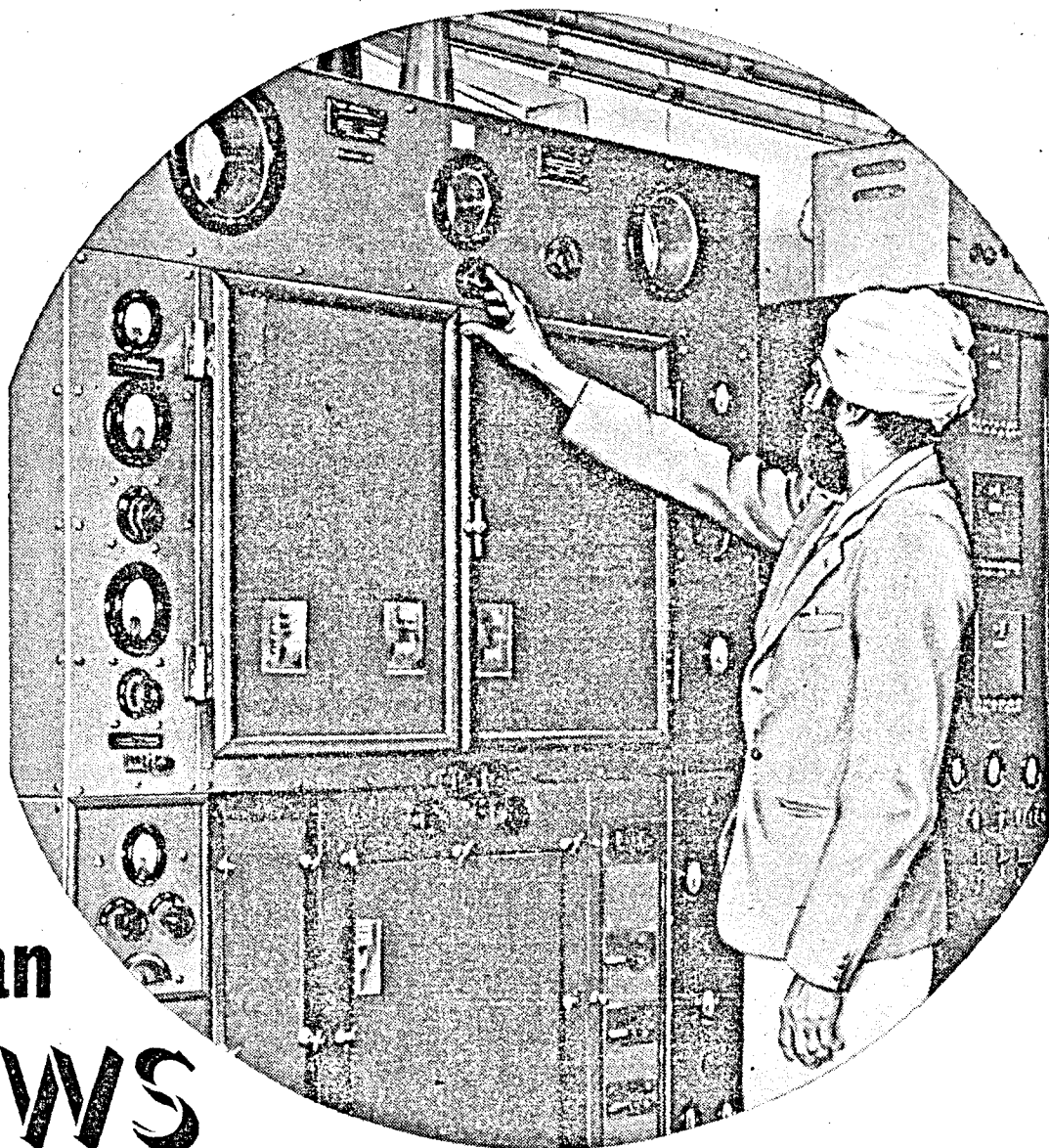


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The World Overseas

Dispirited Geneva

FROM OUR SPECIAL CORRESPONDENT

THE "better baggage" Mr Molotov said he was bringing back with him from Moscow turned out to be a match with which to explode the Spirit of Geneva. The report of the explosion was the louder for the fanciful stories in the western press, attributed to well-informed Communist sources and claiming that the Soviet Foreign Minister would come back from the revelries of October Revolution Day, bearing caviare in the shape of an offer to accept free elections in Germany. But the speech he made to the Ministers when they reassembled after their three-day recess was "better" only in the sense that it was more uncompromising than ever—a demonstration of Russian intransigence that was not unwelcome in the context of this abortive sequel to the "summit."

That the three Western Foreign Ministers must have derived some satisfaction from the sensation of having a door slammed so violently in their faces is less paradoxical than it might appear and does not imply a touch of masochism. It is wrong to believe, as one British newspaper has suggested, that the three Western Foreign Ministers put forward their proposals for German reunification and European security in a spirit of cynicism. But it would be straining the imagination to suggest that they expected Mr Molotov to accept their plan. They would have been delighted at being proved too pessimistic; but if their pessimism was to be justified, they had everything to gain from a clear and brutal Soviet rejection.

And if this was indeed what the doctor had ordered, Mr Molotov dispensed it with pharmaceutical precision. By stating at the outset a thesis in which they sincerely believed and which, by its nature, scarcely allowed any possibility of bargaining, the Western Ministers succeeded—with Mr Molotov's help—in demonstrating beyond controversy that the Russians are afraid of free elections in Germany; that they oppose German reunification for political reasons and not for considerations of security; and that their conception of security is a Western Europe rendered defenceless by the retirement of the American and British forces.

This western propaganda success—for such it was—must have been the more gratifying to Mr Macmillan, Mr Dulles and M. Pinay, because of the shakiness of their initial onslaught and the comparative vigour of Mr Molotov's first counter-attack. The joint statement on German reunification and European security tabled at the outset by the three Western Foreign Ministers, pre-supposed

Germany's entry into Nato. The wording of the relevant passage lent itself to the interpretation that a reunified Germany would be deprived of freedom of choice as to the direction of its alliances; and Mr Molotov was prompt to seize the opportunity to secure a debating point. The truth was, however, less unfavourable to the West than Mr Molotov felt himself entitled to suppose. The offending passage read:

the final stage (of the proposed treaty of assurance) would become effective when a reunified Germany decides to enter Nato and the Western European Union.

In the absence of explanatory clauses, this bald statement could seem to impose certain choices upon the government of a united Germany. But this was not the point, though it was fair game for debating purposes, and Mr Molotov was adroit enough in pretending incomprehension. The point was, as M. Pinay belatedly made clear last Tuesday, that a new security pact, as such, is of no interest to the West—which already has its security pacts, Nato and Western European Union. The western offer of a treaty of assurance is designed solely to meet possible Russian fears arising out of the reunification of Germany; and since a neutral Germany or a Germany that decided to join the Warsaw powers would not constitute a threat to Soviet security, the western attitude is that a security treaty would be pointless unless Germany joined Nato and WEU. If this was insufficiently clear from the original western draft it became plain beyond a doubt when M. Pinay said: "If reunified Germany became a member of the Warsaw group, it would obviously not be ourselves (that is, the western powers) who could guarantee that Germany would not commit any aggression."

Mr Molotov was, perhaps, on firm ground when he complained that the western draft treaty proposed a zone of limited armament "on both sides of the line of demarcation between a reunified Germany and the Eastern European countries." He was able to remind his western colleagues that Sir Anthony Eden in the pilot project of arms inspection that he put forward at the summit conference, had suggested as a line of demarcation the present zonal frontier across Germany. It would be childish to pretend that this reminder did not embarrass the Western Ministers in spite of the explanation that the Eden project was proposed in the context of disarmament, while the western draft treaty was concerned with security. Mr

Macmillan, bubbling over with impromptu parliamentary additions to his prepared speech, was able to taunt Mr Molotov with being afraid to face the verdict of the people of Germany; M. Pinay made capital out of the mounting flow of refugees from east Germany; and Mr Dulles was able to point out that the Western Ministers had followed the directive handed out to them by the heads of government, while the Soviet Minister had not.

The subsequent statements by the Communist side were free gifts to the Western Ministers. The Russian proposal for the creation of an all-German council to pave the way for reunification on Communist terms was the clearest admission of Communist unwillingness to put the popularity of Herr Ulbricht's regime to the test of a secret ballot; and last Sunday's statement by the leader of the east German observer delegation in Geneva rejecting the western proposal of all-German elections next September caused the western spokesman to observe—perhaps optimistically—that every shade of west German opinion would now be united in opposing all political dealings with the east German government. Even the optimistic Mr Dulles, is reported to have sunk into a mood of profound pessimism on seeing the contents of Mr Molotov's baggage. The dinner party which brought all four Foreign Ministers together that same evening must have been a severe test of everybody's capacity for good humour.

What then are the prospects at this stage of the conference? For technical reasons no concrete progress was expected on disarmament, and little seems likely to emerge from the deliberations of the committee on East-West contacts beyond a broad declaration of common principles. As to the main issues it can be said that the Western Ministers have no intention of departing from their principles. A Russian concession of substance, at the last moment, cannot be excluded but seems slightly improbable. Unless the Russians do climb down it seems unlikely that the conference will drag on beyond the middle of next week. But it cannot be predicted with certainty whether the break will then be final. While continuing East-West contacts on a lower level are regarded as pointless, there are arguments in favour of yet another Foreign Ministers' conference next spring. And that, at the time of writing, seems the only concrete decision likely to emerge from the present gathering.

Israel's New Government

FROM OUR CORRESPONDENT IN TEL AVIV

MR BEN-GURION, back again at the helm as Premier and Minister of Defence, drives a very different team from that of his former coalition. Instead of the General Zionists, the champions of private enterprise, he has as his partners the two leftist parties, Achduth Avodah and Mapam, in addition to the Hapoel Hamisrahi, which represents the Labour wing of the religious bloc and the liberal Progressives. If this is not a Labour government in the traditional sense of the term, it is certainly Left-centre with the emphasis on Left.

The Hapoel Hamisrahi is certain to go along with Mapai, Mr Ben-Gurion's party, both in matters of foreign as well as social policy; on all religious issues it will fight for its

own aims. The two leftist parties, especially Mapam, will probably have differences with Mapai over both foreign and domestic policy. During the negotiations on the new coalition Mapam set down its reservations on foreign policy in a letter to Mr Ben-Gurion. It opposes the granting of foreign bases to any power whatever. It opposes a security treaty and reserves the right to leave the government should such a treaty be concluded. One of Mapam's leaders declared in the debate on the new government's policy that his party was in favour of a four-power guarantee of Israel's borders. Thus for the first time in years neutralism has entered Israel's cabinet.

Between Mapai and its colleagues on the left there are also differences over domestic policy. Achduth Avodah and Mapam both came out strongly during last summer's election campaign for the abolition of the wage-freeze which has been maintained by the trade unions over the last year or two and demanded a rise in basic wages. Ministers belonging to Mapai have again and again pointed out that in Israel, where wages are already high in relation to output, basic wages should be raised only where this is warranted by increased productivity. A group which favours higher wages does exist within Mapai, but up till now it has been outvoted. The problem will soon become acute, because collective agreements between the trade unions and the manufacturers' associations are to be renewed in January. Between now and then the Cabinet will have to thrash out the issue; time will show whether government responsibility and the more intimate knowledge that comes with ministerial office will influence Mapam and Achduth Avodah. It will not be at all easy for them to drop their demand for higher wages, because they advocated it so strongly during the elections. As wages and salaries in Israel are linked throughout to the cost of living index, rises will certainly exert strong inflationary pressure and destroy the present relative stability of prices.

Mapai Predominates

The new Ministers belonging to Achduth Avodah and Mapam all believe in quick development by public authorities. They will give vigorous support to Mr Ben-Gurion's programme for the drive "South," the development of the Negev, irrigation plans, and dispersal of the population over sparsely populated regions. Both parties, although opposed to war and certainly to preventive war, are strongly "security-conscious," as they are steeped in the traditions of the Haganah. One of the new Ministers held a regional command in the war of independence; all four of them are members of collective settlements or formerly belonged to one.

Although the coalition is a five-party one, it is predominantly Mapai. Despite Mapai's decline in the last elections, it has managed to keep for itself the main Ministries—the Premiership and the portfolios of Defence, Foreign Affairs and all the departments dealing with economic matters—that is Finance, Agriculture and Labour. Even the Ministers of Commerce and Industry—until now the domain of the General Zionists—has been taken over by Mapai. The leftist parties had to be content with Development, Transport, Health and the Interior.

In his opening speech to the Knesset, Mr Ben-Gurion offered to meet Colonel Nasser and other Arab leaders in order to make peace. In his closing one, he offered condolences to the families of the fallen in the battle of Nizana

which had been fought on the previous day. The atmosphere of "war and no war" in which the new cabinet takes over gives a strange impression of living in twilight. The five-party coalition, which looked frail at first, may derive more stability than anyone expected from the feeling of emergency that prevails throughout the country.

Afghan Ambitions

BY A CORRESPONDENT

THE Afghans are playing with fire. On the one hand they are allowing themselves to become even more closely involved with their big and powerful neighbour, the Soviet Union, and on the other they are redoubling their propaganda attacks on Pakistan over the familiar issue of "Pakhtoonistan"—the hypothetical state which the Afghans want to create, at Pakistan's expense, for the Pathan frontier tribes who mainly live on the Pakistan side of the border.

The connection between the Russian overtures and the revival of the Pakhtoonistan issue can hardly be treated as fortuitous. Hitherto Pakistan has been able to treat the Afghans' provocative behaviour with some contempt. But closer relations between the Afghans and the Russians, and thinly disguised Soviet military aid for Kabul, will make for a different situation. Unlike other recent recipients of Russian aid or arms, Afghanistan is contiguous to the Soviet empire, and the ugly possibilities arising out of this fact are obvious. For a weak country lying on the perimeter of a vast empire it would be more prudent to keep the powerful neighbour at arm's length than to open the door to him.

There are two recent developments in the growing *rapprochement* between Afghanistan and the Communist bloc. One is the news that Marshal Bulganin and Mr Khrushchev are to visit Kabul next month on their way back from India. The other is the acceptance by Afghanistan of an invitation to send a military mission to Prague to inspect the latest types of military equipment. The Afghans, unable to obtain American arms because of their bellicose attitude towards the United States' ally, Pakistan, are now, like the Egyptians, being tempted with offers of Czech arms.

Russian Economic Stranglehold

They have, it should be noted, been getting considerable American economic aid, particularly for irrigation, flood-control and power schemes. But the Russians, too, have for some years been extending economic credits to the Afghans, although on a much smaller scale, for such projects as the construction of oil storage tanks and grain elevators, and in the process they have lost no opportunity of increasing their political and economic influence. Some 500 Soviet technicians and construction workers are now in Afghanistan. They have distributed Communist literature amongst Afghan workers, and on at least one occasion Communist slogans have had to be removed from the masonry of a building into which they had been built. The country's foreign trade is being gradually re-orientated towards the Communist bloc; 35 per cent of its exports now go to the Soviet Union. Afghanistan has become largely dependent on Russia for its oil supplies; and when supplies through

Pakistan were cut off last summer, the Russians sharply reduced their own supplies as if to ram home the fact of their growing economic stranglehold over the country.

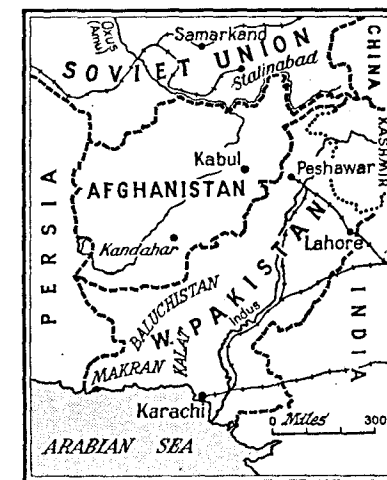
So long as the British balanced the scales in Asia, it was repeatedly made clear to the Russians that their southward expansion across Central Asia must stop at the Oxus. The first Afghan war was the direct result of Dost Muhammad's bid for Russian help in forwarding his ambitions in the Indus valley. The second, forty years later, was provoked by a similar leaning of the Amir of the time towards his northern neighbours. The departure of the British has left Pakistan to act as the warden of the marches; this it may be capable of doing, in the sense that it is well equipped to repel invasion, but it has no influence to restrain Afghanistan from going astray.

Last month Pakistan decided to merge West Pakistan into a single administrative unit. This involves the disappearance of the North-West Frontier Province, the Pathan homeland, as a separate unit, and gave the Afghans a plausible excuse to revive their propaganda in favour of "Pakhtoonistan." The Afghan Minister in Karachi has been withdrawn in protest against the proposed merger,

although he has denied that his recall meant any rupture in diplomatic relations between the two countries. Last week Karachi radio asserted that the Afghan government had doubled its troops west of the Durand Line and was openly threatening aggression against Pakistan; and this week the Pakistan government has protested against Afghan attempts "to create trouble" inside Pakistan.

Until recently "Pakhtoonistan" had cut little ice with the Pathans; it was anything but a spontaneous agitation and only one prominent *malik* had gone over to Kabul. Unfortunately, however, the fuss over the integration of West Pakistan has brought it an influential recruit in the person of Khan Abdul Ghaffar Khan, the veteran Pathan leader. The Khan is of course a natural rebel, and the score is made equal by the fact that his respected brother, Dr Khan Sahib, is the Chief Minister of the new united province of West Pakistan. Nevertheless, the Pakistan government must be feeling more anxiety about the effect of Afghan propaganda on the frontier than before.

There is really nothing to be said for the creation of an independent homeland for the Pathans. Even the Afghans seem to have recognised that it would be an economic impossibility without an outlet to the sea; hence their invention of a sea coast for this Bohemia by the inclusion of Baluchistan, Kalat and the Makran coast (entirely non-Pathan areas) in the national Pakhtoonistan. Pakistanis can also effectively challenge Afghan good faith by pointing out that they envisage self-determination being offered only to the Pathans on the Pakistan side of the Durand Line, and not to those on their own side. There has probably



never been an international issue more artificially contrived and resting on such a flimsy foundation. The Pathans are shrewd judges of their own best interests, and these certainly lie with Pakistan. The industrial development of the North-West Frontier has brought them a greater measure of prosperity than ever before, and they are still receiving subsidies from the Pakistan government on the same scale as those paid by the British.

Trade Across the Elbe

THE German Social-Democratic Party could not be prevented from presenting its own proposals for German reunification during the Geneva conference, though Dr von Brentano, the Foreign Minister, was satisfied with the case made by the three western powers. The SPD's proposals are confused and contradictory; they contain some far-reaching suggestions for collaboration with the Soviet Zone authorities as well as a declaration against "so-called unity of action between democratic and anti-democratic organisations." It is proposed that "agreements or understandings with official quarters or government authorities in the Soviet-occupied area" should be concluded, and the surprising statement is made that in the field of administration of justice as well as of social services and education, both the Federal Republic and the Soviet German government must legislate "with a view to facilitating alignment or convergence of practices." It is unfortunate that the Social-Democrats should suggest in this way that the western system should be *gleichgeschaltet* with that of "Red Hilde Benjamin," the Communist German Minister of Justice.

The Socialists also tackle the question of evening up the economies of the two parts of Germany, and make some proposals for increasing interzonal trade. At present, barter trade lags far behind the DM 1,000 million which the Communists insisted should be the target for 1955. They blame the western authorities for refusing licences and complicating the procedure unnecessarily. The real reasons are very different. The eastern side is constantly failing to deliver the goods for which licences have been issued, and the western authorities are forced to take defensive action by stopping deliveries from the Federal Republic. An effort has to be made to ensure that valuables such as iron and steel are not sent to the Soviet Zone without comparable deliveries of brown coal and similar "hard" commodities. The Communist side has to be prevented from selling synthetic silk stockings for Ruhr steel.

Stockings for Steel

Another ground for western defensive action is the Communist practice of dumping. The Communist authorities do not commit themselves to deliver any given quantity of goods over the year, but only a stated value. Their prices often bear little relation to costs in the Soviet German economy, and western German manufacturers naturally demand protection against a sudden flood of cheap and shoddy goods from over the interzonal border. The Social-Democrats' proposals ignore the real grounds for this situation, and declare flatly that if both sides concede what is necessary to "ensure opportunities for jobs and enter-

prise" the West can simplify its formalities, and obtain guarantees against dumping.

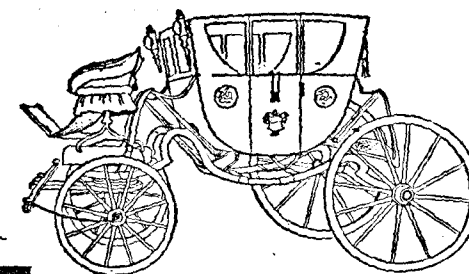
Similarly, the real problem of interzonal payments is ignored. At present, goods are valued in the western D-mark, which is called a "unit of account" in order to save the face of the Soviet Germans. The purchasing power of the eastern D-mark is still less than half that of the western currency, and the ordinary public are even prepared to pay four to one in favour of the Federal Republic's notes. But in interzonal trade, owing to the arbitrary pricing of goods by the Communists, it is not possible to affix a definite exchange rate to the two marks, and the complicated method of barter, using the western mark as a basis, is the only expedient which can safely be adopted by the western authorities. The Social-Democrats, however, have now put forward a proposal that a clearing system should be established "between the areas of validity of the Soviet Zone and West German D-marks." The area of the eastern mark is only East Germany; but it may be that the Socialist proposal means that Soviet Germans should be included in the area of the Federal Republic's transferable D-mark, which is now very wide. The Communists could, however, only benefit from such a concession if they had a surplus in trade with any other country in the transferable D-mark areas. The Socialists, on the other hand, are possibly only suggesting that the Federal authorities should abandon their practice of balancing hard goods against one another and should agree to take stockings for steel.

On previous occasions, Social-Democrat proposals have shown that the party's leaders are aware that the very existence of two currencies is a crucial hindrance to the amalgamation of divided Germany; and they have hinted that help should be given to the Soviet Zone economy in order to bring it up to the level of the West. On this occasion, they do not go so far, and the measures they suggest are put forward only as palliatives. The fact remains, however, that the path along which they would proceed would end in the West having to give financial help to the "Democratic Republic." But this is hardly a feasible proposition to put forward as long as the Soviet rulers refuse to allow free all-German elections.

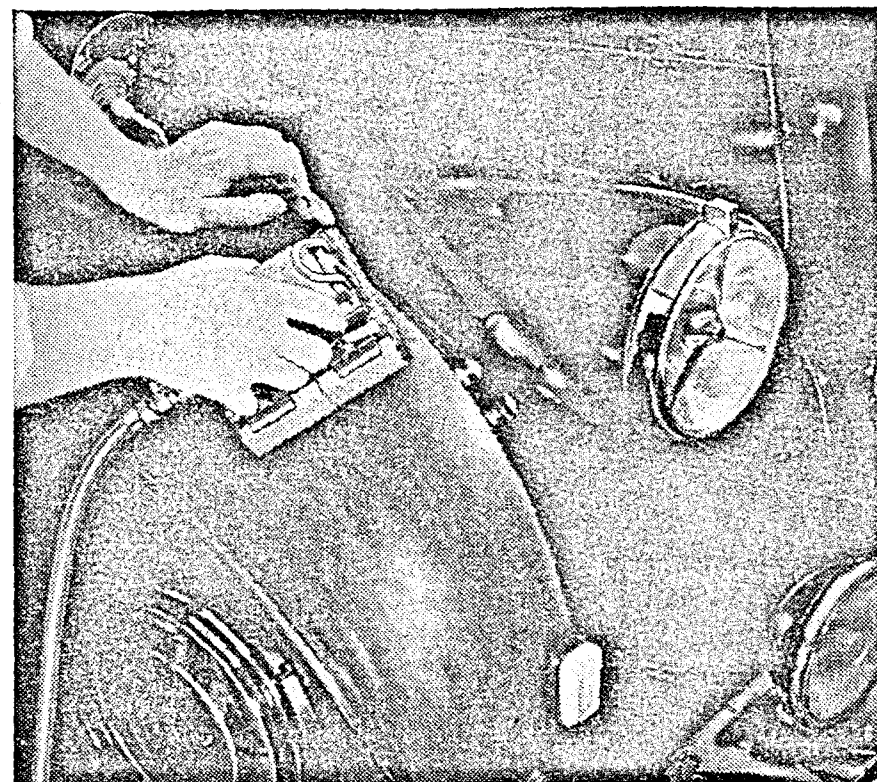
Jugoslavia's New Course

JUGOSLAVIA'S economic planners show no signs of being influenced by the present trend in the Soviet bloc, in spite of Belgrade's more friendly relations with Moscow and its prospects of obtaining considerable economic help from Russia. On the contrary, whereas in Eastern Europe the emphasis has once more swung back to heavy industry and more collectivisation, in Yugoslavia the consumer goods industries are now the apple of every planner's eye, and in discussing the backward state of agriculture no one thinks of suggesting that the remedy lies in a reversion to collectivisation on the Soviet model.

Although there is some talk of a "new course" in Yugoslav economic policy, Belgrade spokesmen are careful to point out that the course plotted at the end of September, when economic experts from all over the country met under the chairmanship of President Tito, does not represent a complete about-turn, but merely a fresh stage in Yugoslavia's



The English coach used by George Washington during his presidency.



Photograph by courtesy of Lookers Ltd., Manchester.

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economic development. Yet although the planners have apparently been meditating some changes in policy for a year and more, the present draft of the 1956 economic plan will have to undergo considerable revisions to bring it into line with the new directives, and consequently it will not be ready for presentation to the National Assembly before December. Meanwhile the new course is being exhaustively expounded throughout the country.

The need for some change in economic policy, which now has behind it all the weight of President Tito's influence, is simple and obvious enough. The Yugoslav people have not only been having a thin time for years, they are still having one. And while they might be expected to accept the necessity for high prices, short supplies and a general tightening of belts during the immediate postwar years; and during the crisis that followed their break with the Cominform, they are bound to feel discouraged and disillusioned when this state of affairs looks like going on indefinitely. They will not long be impressed by Marshal Tito's successful foreign policy if he cannot match this with less austerity at home—and this apparently goes for a good many members of the party as well as for those outside it.

The Yugoslav Communist leaders, unlike their opposite numbers in Eastern Europe, now appear to be ready to pay more than lip-service to the needs of the consumer. "It would be wrong," said President Tito, when opening a new hydro-electric plant some weeks ago, "at the present time to add more and more enterprises to the burden of the people and to deny them the right to a better life." Yugoslavia's economic development will not now come to a halt, but it will build enterprises "whose production will be felt in the standard of living of our working people as soon as possible. . . . We do not have to build to such an extent that we put our bones and lives into these stations . . . today this is no longer necessary." The government, however, is resisting the temptation to pretend that higher living standards can be reached without plenty of hard work by everyone; to increase wages before there is a considerable increase in the supplies of consumer goods will, it is made clear, only increase the inflationary pressures which are already serious enough.

Local Extravagance

Over the last three years as much as 30 per cent of Yugoslavia's annual production has been re-invested in capital goods. Now it is to be the turn of agriculture (which is still stagnating at the 1939 level) and of the consumer goods industries. Investment funds are to go where they will yield the quickest returns for the smallest expenditure, and to ensure this the federal authorities are preparing to play a much more active role than in recent years. They could, in fact, hardly avoid doing so; decentralisation has clearly been pushed too far, and has gone to the heads of many individual enterprises. Local spending has, as might be expected, too often been inflated by local ambitions, and there have been dark grumblings about cars for managers, expensive junketings to trade fairs, and luxurious administrative buildings built entirely of marble and furnished in the most expensive woods.

While no doubt some enterprises will resent the curtailment of their spending sprees, the general public is already expecting great things from the proposed economic changes. How far the government will be able to fulfil these expecta-

tions remains to be seen, but with economic aid now coming from both the East and the West, it will be working under more favourable conditions than it might. Moreover, this summer has been a wet one in Yugoslavia; and while this is depressing for the tourist industry, it does mean a harvest that will probably be rather better than usual. And without good harvests (or continued dependence on American generosity) it is hard to see how the government can both maintain adequate food supplies and grapple successfully with its balance of payments problem. But even good harvests will not help unless the authorities can really regain the confidence of the peasants and secure their willing co-operation in the sale and distribution of their produce.

After Brazil's Elections

FROM OUR CORRESPONDENT

DESPITE the victory of Snr Kubitschek in the presidential elections on October 3rd, the political atmosphere so far remains calmer than might have been expected. The military leaders have accepted the election results to the extent of formally announcing that they are determined to guarantee that Snr Kubitschek shall take office. The recent shake-up in the army and the dismissal of some of the more vocal commanders shows that they are practising the restraint they preach by curbing those who want to deny Snr Kubitschek a chance to disprove their suspicions of him as a resurrector of the Vargas regime. But Snr João Goulart's success in his bid for the Vice-Presidency is a more difficult pill to swallow. One thing is evident—that Snr Kubitschek will be governing with the armed forces looking over his shoulder, and this brings silent comfort to many Brazilians.

One reason why responsible Brazilians and the military leaders are accepting with outward equanimity the distasteful verdict of the polls is that they seem to appreciate more than ever that the country cannot afford any more political distractions. Moreover, they recoil from the distasteful and perhaps dangerous expedient of tampering with the verdict of the 5 million voters who came out for the two "candidates of the people," Snr Kubitschek and his rival, Snr Adhemar de Barros, who came third in the running. (Those who voted for the conservative candidate, General Juarez Távora, backed by the Church and the traditional element, numbered 2.5 million, while another 700,000 preferred Snr Plinio Salgado, the former fascist leader.)

The result of this election shows, as did those of 1950 when Dr Vargas, as the "Father of the Poor" defeated two conservative candidates, including the government nominee, that most Brazilians are loath to deposit much confidence in an aspiring leader who represents a class which they identify with employers and capital. But the average Brazilian voter today is far less susceptible to demagoguery than he was in 1950. And his reaction, despite his disillusionment with the last Vargas regime, in voting for a man who campaigned as the heir of the Vargas "true mission" and as a champion of ordinary people, is causing a good deal of soul-searching in the conservatives' ranks. Two middle-class Brazilians, one of them a minor official, made a revealing remark which appears to typify the attitude of many voters. In effect, each

said: "Normally, I would vote for Távora, whom I respect as a person. But as a wage-earner I suspect his associations and his commitments to a class other than my own more perhaps than I do Kubitschek and his associations."

The three chief candidates differed little in their approach to the broad issues of national and economic policy. The average voter appears to have decided between them on the basis of class and of his attitude towards the Vargas regime, and the election results seem to show that the Brazilian people have become neatly divided into two by these two issues. The question now is, how far will the new government succeed in leading the division? The leaders of the armed forces are anxious to avoid any further strife with all the economic damage that this entails and they hope that Snr Kubitschek will not take his pledge to champion the ordinary people too far. They hope that he will spare them further embarrassment by discarding the influence of at least some of the company he has been keeping, and they have the Communists particularly in mind. The Communists, however, may be easier to shrug off than the rabid, strident populist element, the *Janguistas*, who will now be represented at the new President's side by his vice-President, Snr Goulart.

Snr Kubitschek is already behaving as if he realised the difficulties that beset the path before him and a sense of mission is discernible beneath the surface of his elation. He has, for instance, announced that one of his first preoccupations will be the reorganisation of agricultural credit and conditions and not the wholesale review of urban wages that had been expected. He also plans to make a "study tour" of the United States and Europe including England and Eastern Germany before taking office, in order to "sell Brazil" and to discuss trade and investment. It will be the first time that a Brazilian President-elect has undertaken such a mission.

Snr Kubitschek may never be a new Vargas, either in the sense that the masses hope for or that other Brazilians fear. So far, the defeated parties, like the army, are accepting the situation, hoping for the best, and showing restraint in spite of inflamed arguments by some leaders who are demanding that the result of the election should be declared null because Snr Kubitschek was supported by the outlawed Communist party. Political restraint is certainly a quality which would be beneficial to Brazil.

Queen Juliana's Tour

FROM OUR CORRESPONDENT IN HOLLAND

QUEEN JULIANA and her husband returned this week to Holland after a brief but memorable tour of Surinam (Dutch Guiana) and the Netherlands Antilles. By common consent, the visit could hardly have been more successful or more timely. The presence of the Sovereign in these overseas portions of the Kingdom less than a year after its reorganisation into co-equal partners, appropriately underlined not only the uniqueness but also the underlying unity of the new-style Netherlands Kingdom. Each of the partners enjoys complete internal autonomy, and both Surinam and the Netherlands Antilles have their own parliaments elected by universal suffrage. In dealing with "Kingdom affairs," such as defence and foreign policy

which are of common concern to all parts of the Kingdom, elaborate provision has been made in the constitution for joint consultation and the participation of the overseas territories in making and executing common policies.

By these wise and far-reaching constitutional reforms the Dutch have succeeded in doing two things: they have secured the willing co-operation of the peoples of Surinam and the Netherlands Antilles, and they have succeeded in persuading the United Nations that self-government in these overseas territories has become a fact. Only recently a highly critical UN Committee agreed to release the Dutch Government from the obligation to report on these territories.

But if the constitutional problems have been settled the economic ones remain. Surinam—lying between French Guiana to the east and British Guiana to the west and



sealed off from the interior of Latin America by impenetrable jungle—has a population of 240,000, more than 90,000 of whom are crowded into the capital, Paramaribo. There has been a persistent drift of population from the country areas to the capital and to the bauxite mines at Moengo and Paranam which has emptied the interior and diminished the agricultural labour force. If this drift is not arrested the country will soon have to rely on food imports; at present it can still produce a small surplus for export.

The most profitable source of income at present is from bauxite; 3.4 million tons, making up 83 per cent of the country's total exports, were exported in 1954. Production can be increased further and now that it has been decided to build a new dam at Sara on the Surinam river which will produce the hydro-electric power needed for the establishment of an aluminium factory, the future of the industry is assured. But the fact remains that the economy is too narrowly based. In 1947 the so-called "Prosperity Fund for Surinam" was set up by act of parliament in Holland. Its object is to provide finance for economic and social projects. Surinam itself has not the means to provide capital out of its own savings, which amount to no more than 5 per cent of the national income. Increasingly, however, the mother country has rebuilt its own savings and can now afford to make substantially

bigger investments in the overseas territories; but foreign capital is still welcomed.

The Dutch have been able to contribute not only money but also their specialised knowledge and experience of hydraulic works and intensive agriculture. Some of the most successful projects have been rice growing in reclaimed swampy areas. Timber production might, however, eventually become one of the country's most valuable sources of wealth.

The six islands of the Netherlands Antilles, with their total population of 181,000, face fundamentally the same problem as Surinam: their economies are too narrowly based. The southern group, the ABC islands—Aruba, Bonaire and Curaçao—are economically the most important. Aruba and Curaçao, thanks to their natural harbours, are by far the richest. Their prosperity is derived from a single source, the refining and shipping of oil from Venezuela. The oil refineries have acted as a magnet upon the population of the islands, who have deserted their farms and let agriculture fall into neglect. The great need is to revive it, by the introduction of the new methods that have been found necessary in a dry climate.

All are agreed that the spontaneous warmth with which the Queen and Prince Bernhard were welcomed is a good augury for the future of the Netherlands Kingdom. The new task is to consolidate this good will by energetic steps on the part of the Surinamese and the Antilleans and, with the help of the Dutch, to develop the economic wealth of the territories and to raise their standard of living.

Journal of Geneva—II

Thursday, November 3rd. The Western Ministers criticised the Soviet proposal, made the day before, for an "all-German council" to be composed of representatives of the West and East German parliaments. Mr Macmillan said that it would merely confirm the existing division of the country; and Mr Dulles, pointing out that what the Russians were suggesting was co-operation between the two halves instead of their reunion, complained that this was a violation of the directive laid down by the heads of government in July. Mr Molotov made his first comments on the plan for free elections in Germany submitted by the West six days earlier. This took the form of a defence of the single-list voting system as used in Communist countries, which he saw "no reason to regret." The signing of the Paris Agreements, he said, had made it impossible to consider all-German elections now.

Friday, November 4th. The Western Ministers took their five-stage proposals for German reunion a step further by suggesting a date for the first stage—free and secret elections—in September 1956. They proposed that a four-power commission should be set up to prepare the election law, in consultation with German experts, with instructions to report back by January. Mr Molotov countered this by promising to give his considered reply at a later date, but suggesting once more that East and West German representatives should be introduced to the conference at that stage—an idea that the conference had already rejected. He argued again that the question of elections was of "subordinate significance," and made no direct reply to a

pointed series of questions from Mr Macmillan asking him whether (a) he favoured the earliest possible reunification of Germany; (b) he agreed that the four powers had a duty to arrange free elections; and (c) he approved the western proposals for safeguarding the freedom of elections.

Outside conference hours Mr Molotov talked with M. Pinay and Mr Macmillan about Indo-China and the admission of new members to the United Nations.

Saturday-Monday, November 5th-7th. No meetings.

Tuesday, November 8th.—Mr Molotov came out flatly in opposition to the Eden plan for German elections on the grounds that the existing regime in the eastern zone must be preserved. He could not agree that the east German workers "should be deprived of their factories, their land and their wealth." Mr Dulles then said that the Soviet Foreign Minister's speech was so disturbing that he would prefer to wait before commenting on it, and the meeting was adjourned overnight.

Earlier Mr Macmillan had explained two obscurities in the western plan for a European security treaty by saying: (1) that although the full treaty would apply only if a reunified Germany joined Nato, the West was willing to sign a treaty—and apply the opening stages—if the Russians permitted the unification process to be set in motion; and (2) that Poland, Czechoslovakia and some western neighbours of Germany could be included in the treaty.

Wednesday, November 9th. All three Western Ministers attacked Mr Molotov's speech of the previous day. Mr Macmillan said that Russia had repudiated the "summit" directive, which required that German reunion should be achieved through free elections; it appeared that Russia would allow reunion only on condition of the Bolshevisation of all Germany. Mr Molotov, in reply, repeated that the western security proposals were unacceptable to Russia and that conditions for an immediate German election "do not exist, since the problem has not matured." Mr Macmillan then proposed that further discussion on Item I be adjourned in favour of Item II—disarmament—but Mr Molotov tried to keep discussion going by (a) suggesting a 50 per cent cut in the size of foreign forces in Germany and (b) reviving the Soviet proposal made in July for an East-West non-aggression pact. In the end the meeting was adjourned, but Mr Molotov was apparently left with the option of raising the matter again later.

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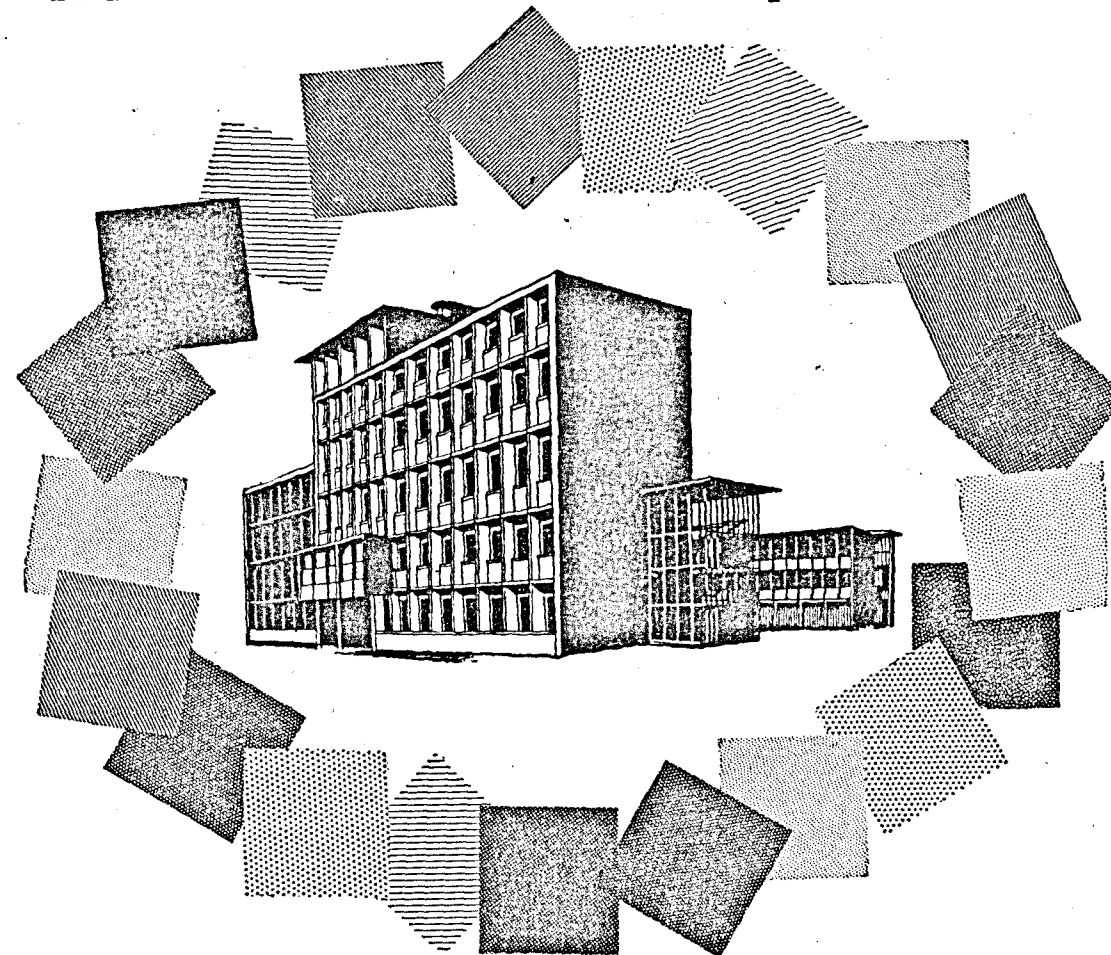
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THE BUSINESS WORLD

Squeezing the Local Authorities

IN the fortnight since the Chancellor of the Exchequer decided to constrict the tap through which money has for years been flowing freely from the Public Works Loan Board to the local authorities, it has become increasingly clear that his action is at once a major component in his wider economic policy, and also a radical challenge to the easy postwar conception of the local authorities as spoon-fed agencies doing the central government's bidding. It will take much longer than a week or two before the full implications of the Chancellor's move are clear. He represented it as a monetary reinforcement of the Government's request that the local authorities should trim their capital programmes in 1956-57 to their spending of 1954-55. But too many authorities have been spending too freely out of PWLB funds not to feel chastened, and even frightened, by this change. In successive periods since the end of the war, the local authorities were first compelled to go to the PWLB for their capital funds and then allowed, if they chose, to go to the market. Now the board is to act as a lender only of last resort.

Most of the local authorities in future will have to run the gauntlet of the market, instead of enjoying virtually automatic access to PWLB funds whenever they wanted them. Mr Butler spoke of ensuring that this transition to open market borrowing should be carried out as smoothly as possible. But it was obvious that the transition could not be easy—and from all present indications is not going to be made any easier. The board might be thought by some local authorities to have a certain responsibility for honouring loans for which departmental sanctions had been deposited. But the board, conscious perhaps that some local authorities have been able to exploit its automatic lending to suit their own convenience, is now taking a tougher line. Loan contracts already fixed on October 26th are of course to be honoured; but mere intentions

or preparations to borrow that might have been in train on that date must be put into regular form and take their turn with the rest. The PWLB loans "in the pipeline" to which the board is committed and which thus escape the new discipline are in fact much smaller than might be supposed from the £300 million of sanctions that the local authorities hold permitting them to borrow.

The screw is in fact turning more quickly and more tightly. A sanction no longer opens the tap to PWLB funds. Before it grants any advances in future, the board is putting all applicants on enquiry about their ability to raise the money they need on their own credit, in the stock market or in the mortgage market. Mr Butler intends that those who can borrow on their own credit shall make "full use" of the capacity of both markets. Given present market conditions, it is difficult to determine what "full use" means. But the questions that are now being put to the local authorities by the PWLB are specific:

1. Give an estimate of the authority's probable external capital requirements and details of maturing capital liabilities (e.g., maturing stocks, mortgages due for repayment, etc.) over at least the next twelve months.
2. What steps have been taken to raise the loan, or any part of it, in the mortgage market, or from private lenders, and with what results? What terms have been quoted?
3. What advice has the authority received as to the amount and the terms of any loan, or loans, which the authority could raise in the stock market?

It is possible to answer the first question honestly and faithfully. But honest answers to questions two and three may not help very far. Take, for example, the present state of the mortgage market. At the moment, the small number of specialist broking firms in this market, whose job it is to match institutional, banking and industrial lenders with local authority borrowers,

are busy issuing chits to authorities (down to the smallest district councils) setting out the rather nominal quotations for mortgage loan business. Armed with these documents, the authorities can then approach the board with evidence that they have tested the market.

*

But the intention, in general, is that the board will not lend to any authority that can satisfy its requirements in the market. That is a question of fact, and one that in this transition period, particularly, is not easy to determine; Mr Butler did well to recognise the serious addition to the burden of unpaid work done by the commissioners which the test of a genuine approach to the market will entail. The rates quoted in the mortgage market earlier this week were $5\frac{1}{8}$ per cent for 7-year loans; $5\frac{1}{16}$ per cent for 10 years; and 5 per cent for 15-20 years. But these rates, against the cheerless background of the gilt-edged market, were very largely nominal, for little money was being offered on these terms. Later in the week, indeed, seven-year loans were being arranged at $5\frac{1}{4}$ per cent and fifteen-year loans at $5\frac{1}{8}$ per cent.

Even when rates are in tune, however, the mortgage market is of a relatively limited capacity compared with the capital demands to which the local authorities have grown accustomed. One of the specialist firms in the market reports that in October it arranged loans for seven years and upwards as follows:—

Rate per cent	Number of Loans	Amount
5	9	380,000
$5\frac{1}{8}$	5	76,000
$5\frac{1}{4}$	8	390,000

It is impossible to measure the total turnover of the market, but if these figures from one of the leading firms are to be taken as a guide, it would hardly seem that the mortgage market is capable of satisfying much more than, say, a tenth of the local authorities' recent rate of capital spending. That rate is intended to fall, and there are potential changes that could further increase the contribution that the mortgage market could make towards their requirements. One of these would be the withdrawal of the present ban on local authority mortgages for a term of less than 7 years, which the Treasury has under consideration. Another is the power of stiffer rates of interest to stimulate offers of money to the market.

It is natural that, at present rates of interest, the authorities should be anxious, if they can, to borrow for periods as short as possible. Mortgages with three to five year terms would attract funds from sources that are not interested in seven-year loans; they would give the local authorities a chance to escape 20-year commitments at rates of 5 per cent and upwards—which they might think well worth the risks of refinancing after a few years. Given the weakness in the funds, and the new demands that are likely to be made on

the mortgage market by authorities that cannot persuade the PWLB to oblige them, stiffer rates seem inescapable. Things have moved so far in the past fortnight, indeed, that it is possible to question the consonance of the board's rates with the market rates. Since September the PWLB has been charging 5 per cent on advances of five years or more, and $4\frac{1}{2}$ per cent for advances under five years (of which there are very few). In his Budget speech, Mr Butler regarded these rates as "at least a fair starting point for the new policy of local loans rates based on local authority credit." But he also made it perfectly clear that they would be adjusted to conform with broad changes in the market's rating of local authority credit. It seems possible that such a change is afoot.

*

What, then, of the chances of borrowing by stock issues? The last such issue was by Bristol, which issued £5 million of $3\frac{1}{2}$ per cent stock 1970-74 at £99 10s. exactly a year ago. It now stands at 83½, and the yield has risen from £3 10s. 9d. per cent at the time of issue to £4 17s. 6d. per cent at the present price. For trustee borrowers (and it is an odd fact that even some of the English counties do not enjoy trustee status) the feel of the market is that a $4\frac{1}{2}$ per cent stock, of 15-17 year life at 95 might be about right; these terms would offer a redemption yield of about a shilling under £5 per cent. But in present market circumstances, this is very much a formal exercise. Those members of the London Stock Exchange who advise and act for the local authorities would have a most unenviable task in trying to stage a successful issue in the present condition of the market, with anything up to a fortnight involved in the final arrangement of terms, underwriting and issue. The pressure for money on the part of the biggest counties and cities is likely to be so great—they could easily make use of £50 million in the course of the next six months—that someone will have to make a stock issue sooner rather than later. But those concerned with it are not going to sleep very well while the offer is open, and they will need all the blessings of good luck in fixing the terms.

Many authorities would regard a stock issue as a relatively expensive method of borrowing—not because the rate of interest is higher, but because of the incidental costs of brokerage and new issue expenses, stamp duty (which the local authorities pay), registrars' fees and preparation of interest warrants. The inclusion of these expenses would raise the effective rate of borrowing over 17 years to, say, £5 5s. per cent, which is higher than the PWLB and mortgage market rates. And there is no likelihood of the authorities being able to place a 7-year bond in the stock market. For long money, the effective rate to the borrower must be at least $5\frac{1}{4}$ per cent under present conditions. For seven-year money, the mortgage market has had to raise the rate to $5\frac{1}{4}$ per cent to attract funds. And for shorter

borrowing, such as the authorities used to be able to do for three to five years with convenience to themselves and no great danger to the country's financial stability, the fiat of the Treasury must first be given.

These are changes of a most dramatic kind for the local authorities. They aim, in the Chancellor's words, at "restoring financial responsibility to the local authorities"—a change that could not be complete until they were in a position to decide for themselves, without direction or advice from the central government, what capital programmes their ratepayers would approve and be prepared to pay for. No doubt the

past system has encouraged them (because they could easily get finance, and counted on 60 per cent grants towards education and subsidies for housing) to add many frills that a sterner financial accounting like the present one will cut out. The government, the PWLB, and the authorities themselves are taking these measures most seriously. Their effect on local authority finance will be severe but salutary. And their effect on the building industries (in conjunction with the credit squeeze in the private sector of the economy, and with the revised subsidies for housing) is likely to become noticeable before many months have passed.

Background to Bargaining

IN the winter round of wage negotiation that has just begun claims have been presented or are known to be imminent for increases that together might add £5-6 million a week to the wage bill of British employers. Already, this year, increases totalling nearly £5 million a week have been conceded: in the first nine months alone the wage bill went up by £4,850,000 a week, more than it did in the whole of any year since 1951. For good or ill, 1955 seems likely to be a record year for rises.

In individual industries, as in the whole economy, this surge is simply explained: labour, in the boom of 1955, has become the scarcest resource of all, and its price is reflecting that scarcity. No single snapshot of the British economy today is as telling as the "opening of the scissors"—the way in which since early 1954 the number of vacant jobs has risen above the sinking number of unemployed people available to fill them. Western Germany today is getting hot under the labour collar with only just over two people unemployed for every one of its vacant jobs. Britain is paying the high price of having more than two jobs waiting for each person out of work.

No doubt, in many industries, there is some inflation in those figures of jobs on offer; personnel managers today cannot afford to be conservative. But in some industries, on the other hand, one does not waste time registering vacancies that the labour exchange has no chance to fill: the coal mines have about 6,000 vacancies on register, but need at least 15,000 miners.

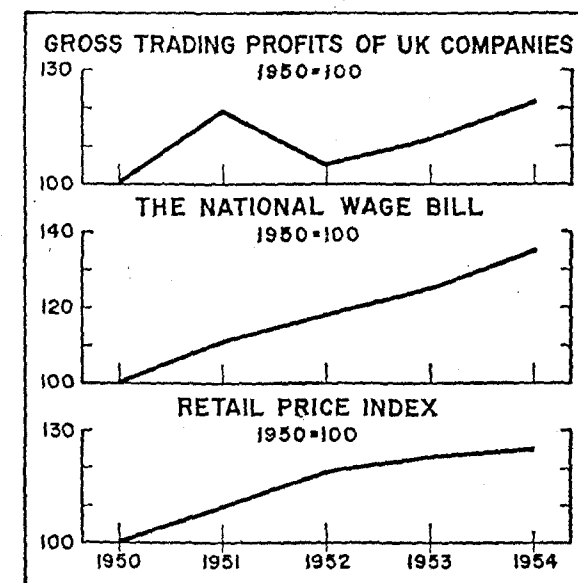
The first table, on page 582, summarises claims already made or proposed by trade

unions who want this winter to take advantage of this sellers' market for labour. Since the Budget, only one of these claims appears to have been specifically increased; but the vast engineering and shipbuilding claim presented last week was significantly put forward for "a substantial increase," which is generally interpreted as a demand for more than the 10 per cent, costing about £2 million a week in wages, that had previously been hinted at. And the miners, already demanding a bonus now paid on attendance as an automatic right, a third week's holiday, and the benefit of "reform" in the piece-rate wage structure, this week announced that they would also make a general wage claim.

Salient factors in the bargaining situation of five of the major industrial groups that face claims this winter are indicated in the chart on page 582. In all these industries—even the coal mines—output has risen rather more over the last few years than employment, indicating some increase in productivity; but in the last twelve months, at any rate, it seems unlikely that

labour productivity has been rising as rapidly as earnings. Labour costs in most of these industries—and probably in industry as a whole—must therefore have been rising. But for four of the five—coal is the sorry exception—output has recently been rising and profitable.

Three of these broad industrial groups are privately owned; for these, indices of average earnings and profits (plus, in the special case of building, income from self-employment) are shown together. For "engineering, shipbuilding and

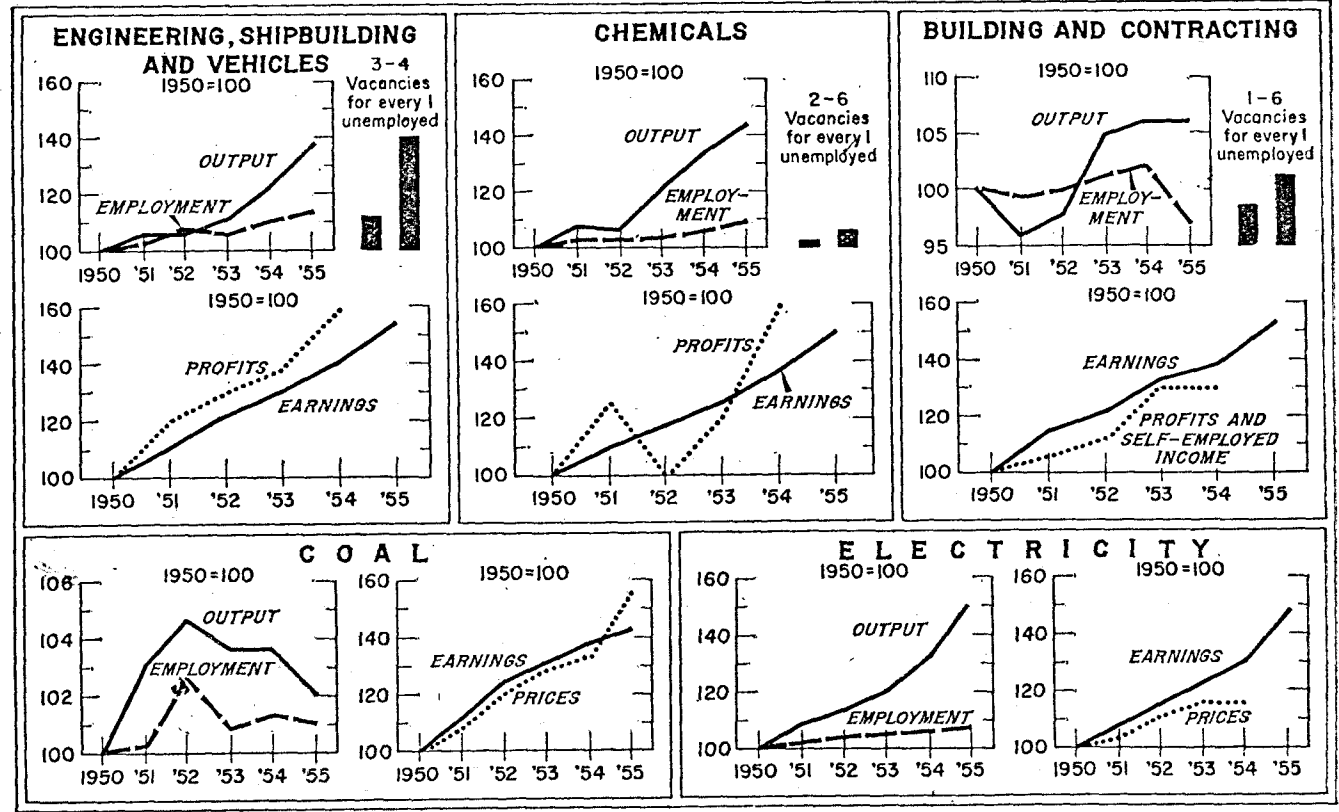


This Year's Wage Increases—So Far

Year and Months	Number of People Getting Increases (thousands)	Net Increase in Total Weekly Wage Bill	Net Increase in Weekly Wage Bill (£ thousand)						
			Agriculture, Forestry, Fishing	Mining and Quarrying	Manufacture	Building and Contracting	Gas, Electricity and Water	Transport and Communication	Other Services
1950	7,414	2,046	201	72	1,152	173	73	100	326
1951	12,262	6,570	354	532	3,021	572	175	846	1,070
1952	11,484	4,456	192	110	1,962	630	118	544	990
1953	9,032	2,420	256	132	646	390	63	229	705
1954	10,147	3,501	18	173	1,655	518	56	544	536
1955, January	2,787	780	211	1	121	1	72	139	235
" February	1,946	396	29	...	94	106	...	103	65
" March	3,178	1,293	21	...	1,113	29	2	16	113
" April	2,583	1,049	...	256	131	463	62	73	63
" May	1,055	406	...	24	138	12	...	47	185
" June	748	189	...	13	83	...	...	7	85
" July	560	120	6	2	88	...	...	1	24
" August	661	202	...	3	30	2	...	108	60
" September	412	146	...	1	125	...	...	3	17

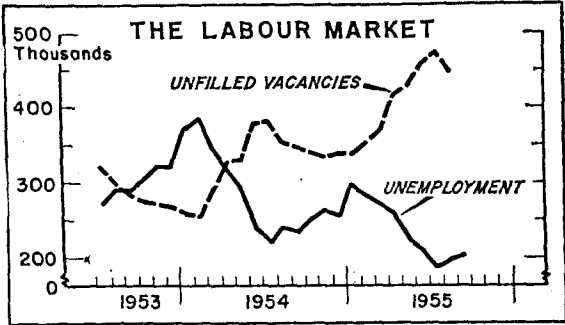
The New Claims Pending

Industry	No. Involved	Maximum rate (men)	Details of Claim
Engineering and Shipbuilding	3,000,000	Skilled, 155s.-160s.	" Substantial " claim submitted this week.
Railways—			
(a) NUR	372,000		40 hour week, higher Sunday and overtime pay, 3rd week's paid holiday, have been demanded. A wage claim (10% or more) will also be made.
(b) ASLEF	78,000	Driver 3rd year, 198s.	Full implementation of the 44 hour week.
(c) NUR and ASLEF	450,000		Sick pay, adjustments in mileage and night work pay.
(d) Workshops	131,000	Patternmaker, 163s. 6d.	" Substantial " increase has been claimed.
(e) Salaried workers (TSSA)	73,000	Special, £850 p.a.	Claims for 38-hour week and an extra week's leave have been made. May join the NUR in a wage claim.
Coalmining	700,000		Consolidation of bonus shift, reduction of working week and 3rd week's paid holiday, have been demanded. Wage claim also planned.
Retail Trade	750,000	Clerk, 130s.-160s.	Claim has been made for 15s. increase and higher proportionate rates for women.
Provincial busmen	177,000	Drivers, 147s.-148s.	Municipal busmen, claim 15s.-32s.; company employees, 16s.-33s. (latter claim went to arbitration this week).
Building	1,000,000	Craftsmen, 3s. 11½d.-4s. 1½d. an hour.	Claim for 4d. an hour now raised to 6d. as a reaction to the Dudget.
Chemicals	200,000		" Substantial " claim will be made.
Electricity Supply	123,000	194s. 4d.	Claim will be presented on November 17th.



vehicles" and for the chemical trades, the figures of profits are chain indices constructed from *The Economist's* quarterly analysis; for building and contracting, where public companies are few and quite unrepresentative, figures of profits and income from self-employment have been taken from the blue book on National Income and Expenditure. In the nationalised industries earnings have been plotted beside prices.

Such figures and indices of profits require essential qualifications to be borne in mind. First, they relate



to what has happened, not what is happening; they stretch no later than approximately 1954 (for *The Economist* figures accounts published between July, 1954, and June, 1955, and accounting usually to dates within 1954). Secondly, they are gross figures: gross of tax, which is right for the purpose because wages are paid before tax is levied; gross of depreciation,

which is wrong but unavoidable, since no true basis for a depreciation charge that will really keep assets intact exists. Thirdly, *The Economist's* figures are based upon a broad sample of public companies; they exclude private companies and unincorporated traders. Finally, the indices are based on 1950, a year quite arbitrarily selected to show the "medium run" for output. Certainly, other years of origin would alter the various pictures. Bandyng base dates is fashionable but fruitless. One may be sure that a far better set of bargaining curves could be produced for employers by using 1938—which is social history; or for the unions by using 1952—which is dishonest nonsense.

But wage negotiators today look more widely than the limits of their own industries. They have in mind the total size and in particular the general growth of profits and wages in the economy; and close to the trade unionist's mind, the cost of living. All of these are rising though not in parallel, as the chart, based on blue book figures, shows.

Moreover, hardly any economic indicator yet clearly shows the effect upon industrial activity of the successive measures that have this year been put in hand to restrain that inflation. Employers and unions, this winter, are bargaining about what labour should be paid in an economic climate that as yet they can only sense. Immediately, the advantage is with the striker in this game. But it is not only among businessmen that one meets deep uneasiness about industry's competitive prowess abroad—or about harder times next spring.

Business Notes

Emphasising the Squeeze

THE morale of the gilt-edged market has been rudely shaken in the past week by fears of new pressures upon it from the credit squeeze. This sudden fright sprang in part from press reports and a crop of City rumours of what the Governor of the Bank of England had to say at a meeting last week, a regular quarterly one, with the Committee of London Clearing Bankers. As the proceedings were private, and as no information about them has been officially released, it is not surprising that the unofficial accounts have shown notable divergences—and some of them have certainly exaggerated the significance of the occasion. In particular, there is no foundation for the supposition that a new "directive," or indeed any specific

request, has been given to the bankers about the conduct of their advances policy. The authorities are not venturing upon any more detailed guidance to the banks than the Chancellor's bald request last July for a "significant reduction in advances within the next few months"; nor, it seems, are they contemplating any innovations in their technique. There is no doubt, however, that the Governor, presumably expressing the wishes of the Chancellor, has emphasised the importance of keeping up the pressure upon advances at least for some time to come, and certainly well into the new year.

Roughly half the apparent decline of £220 million in clearing bank advances between end-June and October 19th was attributable to repayments by the Gas and Electricity industries out of their recent issues of stock, and a further significant part was due simply to the running-down of the intra-bank clearing items that most of the banks group

in their advances total. The reduction in loans to the private sector has, therefore, been small by contrast with the big expansion that occurred in the first half of this year, and the rate of contraction in the latest period was no better than in the summer. Whether or not the authorities regard this performance as unsatisfactory, they certainly regard it as insufficient—in the sense that the squeezing process must go steadily on until all measures of restraint acting together have brought the level of aggregate demand upon the economy within reasonable bounds.

All this should have been self-evident to any discerning observer, and the violence of the gilt-edged market's reaction measures the unrealistic attitude of some City opinion about credit policy. For that reason, and also perhaps because the July request had referred simply to the "next few months," it was desirable to remove any possible doubt about the broad intentions of policy. But statements made behind tightly closed doors, and even then not to the whole company of bankers that are affected by the policy, are scarcely calculated to achieve that purpose. If the authorities mean to be firm, then their task as well as that of the commercial banks would be greatly eased if the essence of such statements as this was publicised.

Trumps in Threadneedle Street

"GUIDANCE" from the authorities may serve a useful purpose, but it is no substitute for action in the market-place. In former times, if there were doubts about the City's understanding of the aims of policy, the point would have been promptly driven home by an increase in Bank rate, or at least by an unmistakably sharp pressure upon the money market. In present circumstances, if the authorities are still anxious to keep the Bank rate weapon in reserve, they have only limited scope for showing their determination by action in the money market, since the bill rate—which rose by a further $\frac{1}{8}$ per cent to $4\frac{1}{8}$ per cent last week, the first rise for two months—is now drawing near to the official rate. The only alternative weapon, therefore, is pressure upon bank liquidity; and it is only by recourse to this that the pressure of the whole policy can be tightened without a rise in Bank rate.

It seems probable that the authorities are fully aware of this, and are also determined to ensure that their "guidance" is well supported by orthodox action of this kind. The liquidity of the banks has in fact been kept much tighter than many of them expected. It is technically difficult, though not impossible, to tighten it much further in the next few weeks of heavy seasonal deficits; but after the turn of the year nearly all the trumps will be in Threadneedle Street. The introduction of the 63-day Treasury bill, which made its debut last week, has ensured that the official hand will be even stronger than it usually is in the new year. The £60 million of these bills placed last week and the further offering yesterday will strongly supplement the maturities of 91-day bills in the second and third weeks of January. If yesterday's bills have been fully allotted, the aggregate maturities in these two weeks will be no less than £640 million—creating almost unprecedented scope for compressing the banks' liquid assets.

Sterling's Silver Lining

WHILE gilt-edged prices crumble and the discount market is caught in the grimmest scramble for credit that it has had to endure since monetary discipline was revived, sterling is holding up well—as, indeed, it should. The spot rate against the dollar has been held this week at around \$2.80 $\frac{1}{2}$. There have been indications that it would have risen beyond this level but for modest official intervention in which the Exchange Equalisation Account must have acquired small amounts of dollars. The net gains to the account cannot have been large for the rate for transferable sterling has had to be supported. On most days this week the transferable sterling rate at the opening of the New York market has been slightly below the current rate in Zurich and other Continental markets. On almost every day of the week there has also been a small downward adjustment in the rate, which has carried it down to \$2.77 $\frac{3}{4}$. This weakness in the transferable rate owes something, it is believed, to the fact that Egypt is paying Czechoslovakia for arms with transferable sterling. The fall in transferable sterling has been slowed down by official support, most of which has been channelled through the Zurich market. Sterling has been exceptionally firm against the Canadian dollar rising this week to \$2.80.

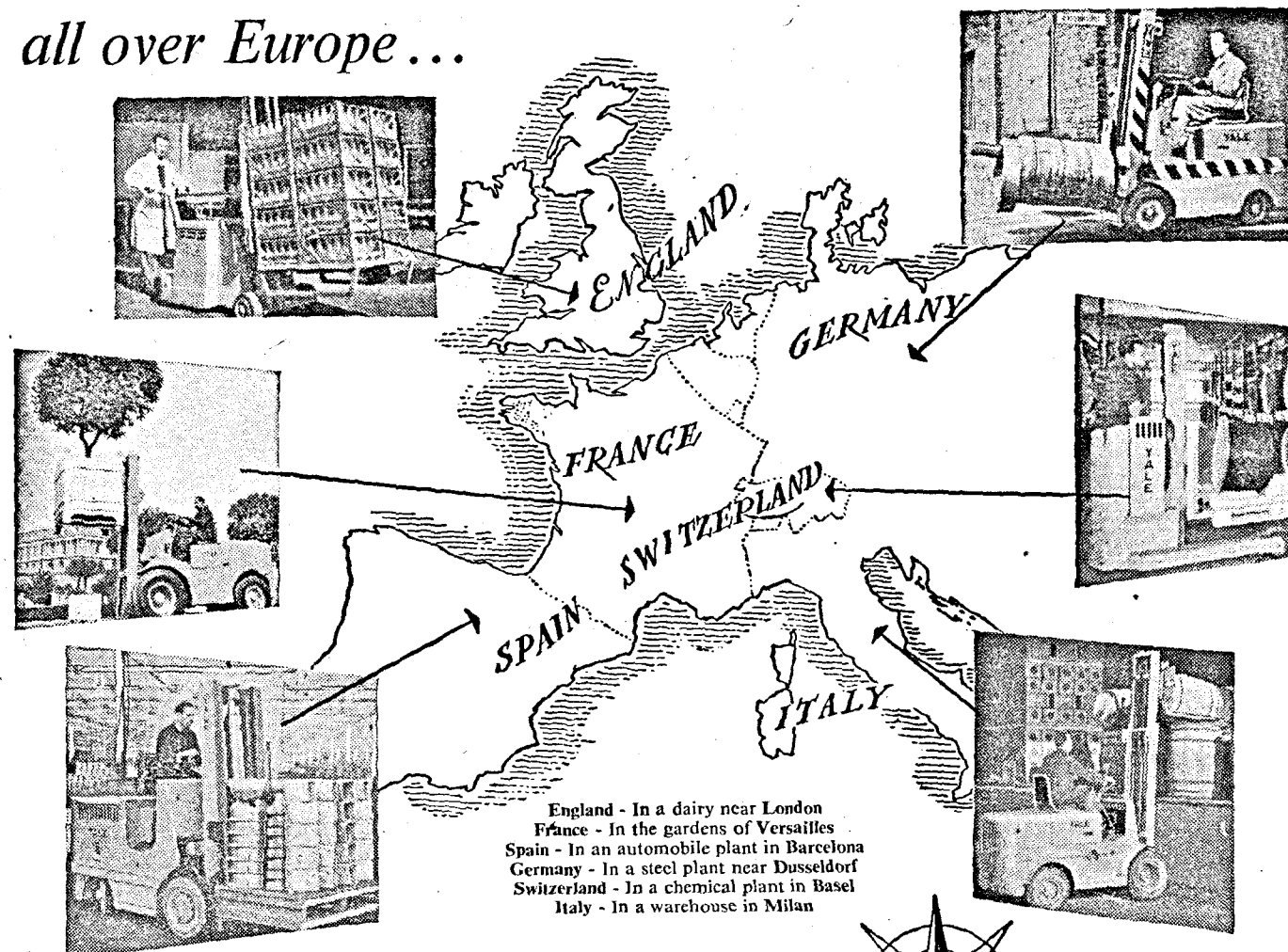
Movements in the Continental currencies have been more mixed. The Dutch guilder has been moving against the pound, as has the French franc in the official market, though sterling banknotes in the unofficial Paris market have simultaneously been moving upwards and have changed hands at up to Frs. 1,010. The firmness of sterling against the dollar has naturally been accompanied by another slight decline in the London price of gold which has fallen to 249s. 8d. There has been a good turnover at the fixing with a fair demand from the Middle East encouraged by political and military tension there. There is also evidence of a slight revival of hoarding demand from the Continent.

Unhappy Markets

INVESTMENT markets have fallen steeply this week. The *Financial Times* index of government securities which stood at 91.75 at the end of last week was down to 88.70 by the close of business on Wednesday. The industrial index in the same period fell from 191.8 to 187.8. All sections of the market moved together. Even the gold share index dropped from 77.73 to 76.21. The table shows the movements of selected gilt-edged stocks and industrials since the day before the autumn budget. Selling particularly in the gilt-edged market this week was widespread and partly—but only partly—speculative.

It is always possible to rationalise a movement on the Stock Exchange after the event. The new reminder to the banks, the indications that the credit squeeze will "bite harder this winter" as the Economic Secretary to the Treasury put it last week, the rumbling volcano of pending wage claims, gathering tension in the Middle East and dead-

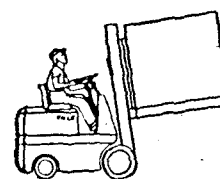
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France - In the gardens of Versailles
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lock at Geneva, can all be cited as causes for the present decline. That does not alter the fact that when investors are not in the mood to sell the market can take threats like these in its stride. But when investors are in the selling mood and jobbers have not foreseen it, the decline is magnified. In the industrial share market further selling had been foreseen, but in the gilt-edged market jobbers seem to have been taken by surprise.

In the gilt-edged market the present wave of selling may be passing, but the market will remain subject to other pressures. One of these is the sharpening competi-

PRICE	Oct. 25	Oct. 27	Nov. 4	Nov. 10
Conversion 4% 1957/8....	99 ³ / ₄	99 ¹ / ₂	99 ³ / ₄	99 ³ / ₄
Br. Elec. 4 ¹ / ₂ % 1967/9	98 ¹ / ₂	98 ¹ / ₂	98 ¹ / ₂	98 ¹ / ₂
Conversion 3 ¹ / ₂ % 1969	89 ³ / ₄	89 ¹ / ₂	89 ¹ / ₂	87 ¹ / ₂
Br. Transport 3% 1978/88	76 ¹ / ₂	76 ¹ / ₂	76 ¹ / ₂	73 ¹ / ₂
War Loan 3 ¹ / ₂ %.....	78 ¹ / ₂	78 ¹ / ₂	77 ¹ / ₂	74 ¹ / ₂
ICI (£1)	47/7 ¹ / ₂	49/-	48/4 ¹ / ₂	47/3
Imperial Tobacco (£1)	60/-	60/9	60/-	58/6
'Shell' Bearer (£1)	129/4 ¹ / ₂	132/6	134/4 ¹ / ₂	132/6
Vickers (£1).....	39/-	41/-	41/3	39/9
Woolworth (5s.)	58/-	59/9	60/3	57/9

tion for the few favours that the new issue market can still bestow. The market had an unwelcome reminder of that competition this week in the shape of the Rhodesian and Nyasaland Federation's issue of £10 million 5 per cent stock 1975/1980 at £99 10s. Evidently the Federation and its advisors have done their best to ensure that the terms should be attractive. It is the first occasion for many years on which a trustee stock has been offered with a 5 per cent coupon and below par. The flat yield is £5 os. 6d. and the redemption yield to the latest date £5 os. 8d. per cent, and only £10 per cent is payable on application. The market naturally read the issue as yet more evidence of the shortage of funds for investment and the terms announced on Tuesday contributed to the weakness of the gilt-edged market.

Exports Highest Ever

THE provisional returns of British overseas trade in October contain both good and disappointing news. Exports were higher than ever before, amounting to £268.1 million fob. This was £32 million—13 ¹/₂ per cent—more than the monthly average in the first nine months and £4 million above the previous peak in August, when the bulk of the over-spill from the transport strikes was being cleared. Exports are normally high in October after the summer slackness, and it is impossible to guess how much of last month's exceptional figure is attributable to shipments previously held up by the strikes. Imports, unfortunately, were also high; the total of £333.4 million cif was £13 million—4 per cent—more than the average in the first nine months and £29 million higher than in September. That dampens earlier hopes that monetary policy was beginning to bite on imports. With re-exports also higher at £12.8 million, the gross visible trade deficit was £52.5 million, slightly higher than in September but nearly

£23 million below the average for the first nine months. Exports to North America shared in the advance; in fact they reached a new record of £33 million, which was £7.3 million—29 per cent—more than the nine-monthly average. Shipments to the United States set a new record of £19.2 million, but shipments to Canada still lagged behind at £13.8 million.

Dollar Drive Again

THE renewed dollar export drive that was launched this week at a dinner of what Sir William Rootes called the "top brass" of British industry, and sped on its way at a press conference which was itself somewhat brassbound, is a rather fresh technique in this Government's dealings with business. It has carefully been channelled through the Dollar Exports Council, which is largely composed of businessmen, and emphasis is being placed upon the rewards of exporting to dollar markets in the United States, Canada, and Latin America, rather than on telling business to do what the Government thinks the economy needs.

Both the rewards and the needs are very real. The dollar markets are large, rich, and growing; so is their propensity to import. Britain's exporters have very creditably been gaining an increasing share of the United States' import trade since the war, though they have not quite as much of it as they had in 1938; in Canada, where imports per head of population are more than four times as high, Britain has been losing business, and does only half the share of imports that it did before the war; and its share of Latin American trade has not been rebuilt to anything approaching the prewar proportion, though Germany has been able to encroach quite markedly upon the dominating position of the United States in those markets. Yet individual British companies, when they take the trouble, have found these dollar markets extremely rewarding. The starkest expression of the need is the increase of more than 40 per cent in Britain's dollar bill for imports over the first three quarters of this year.

Sir Edward Boyle, at the press conference as at the dinner, emphasised that it was the Government's policy to make dollars readily available for all kinds of trading investments in Canada and the United States which will increase our exports to that area, increase the supply of raw materials available to British interests, or promise a high yield on invested capital.

Both Ministers emphasised that despite the Government's concern at some recent American decisions affecting import trade, it remained assured that the United States was not departing from a generally liberal trade policy. The attitude they have to soothe, as regards both these matters of import policy and the commercial difficulties of the dollar markets, had been epitomised the week before in Sir Edward's hearing by Mr J. L. S. Steel, a director of ICI and chairman of the British National Committee of the International Chamber of Commerce: "If I had charge of a small business making a useful product, nothing would induce me to try to export it to the United States." It is precisely that task of inducement that the Dollar Exports Council and the Government have to attempt.

Union-Castle Plan Revised

TERMS of the offer to ordinary stockholders of Union-Castle Mail Steamship Company to exchange into the shares of a holding company controlled by Clan Line Steamers have been slightly modified. The new offer is 10s. nominal of ordinary capital in the new company for each £1 of Union-Castle ordinary capital in place of 8s. nominal of ordinary capital plus 4s. nominal of 6 per cent preference capital originally offered. The offer to Clan Line shareholders is also increased—from eight £1 shares in the new company for each 3 £1 Clan shares to 41 10s. ordinary units for each 7 £1 Clan shares (equal to about 58s. 6d. nominal of the new capital in place of 53s. 4d.). The new company is thus to have an ordinary capital of £6,430,000 in place of £5,552,000 and still to pay 16 per cent—a further loosening of the Cayzer pursestrings. In terms of prospective income, Union-Castle ordinary shareholders are offered a small improvement, and in terms of control their proportion of the new company's equity goes up from 40 per cent to 42½ per cent.

From the preliminary skirmishing that has already taken place two facts emerge. The boards of Union-Castle and Clan Line disclaim any thought of pushing the merger through against the wishes of the majority of the ordinary stockholders in either company. That removes the most objectionable feature of the scheme—the possibility that the votes of the Union-Castle preference stockholders might be used to override the wishes of the majority of the ordinary stockholders. But it is doubtful whether the concession (too little and too late) will detach many from the opposition now organised and in full cry. The decision not to use—at least not to abuse—the bludgeon of the preference votes may therefore mean that the plan is already dead. A week ago, Mr H. C. Drayton announced that the opposition had the support of 50 per cent of the Union-Castle ordinary stock and 40 per cent of that company's total votes. These figures naturally may not now be exact, but the opposition is formidable.

The other conclusion already discernible is that whichever way the battle ends, a drastic reorganisation of the Union-Castle directorate can hardly now be avoided. New money and new blood have long been needed. Now the opposition shareholders are bitterly blaming their own directors. Mr Drayton accused them last week of withholding information, and his argument calls for an answer. A month of active sharedealings has already elapsed since the offer was first mooted. Shareholders have had no valuation of assets yet, and Mr Drayton argues that some information not granted to shareholders in general must have been supplied to the Clan Line directors as a basis for the offer. Unless it is suddenly converted by the full offer, which goes out to stockholders this weekend, the opposition will therefore press ahead with the requisition for a meeting. At such a meeting three-fourths majorities—probably out of reach—would be needed to force a capital reorganisation, but simple majorities would suffice to remove directors. The final choice for shareholders may therefore be between new money and management provided by Clan Line and the Cayzer family at the cost of losing control, or the same commodities provided by the opposition. The opposition

has not yet shown its whole hand, but the shipping knowledge of Mr Jack Billmeir and the financial resources controlled by Mr Drayton seem to be among its cards.

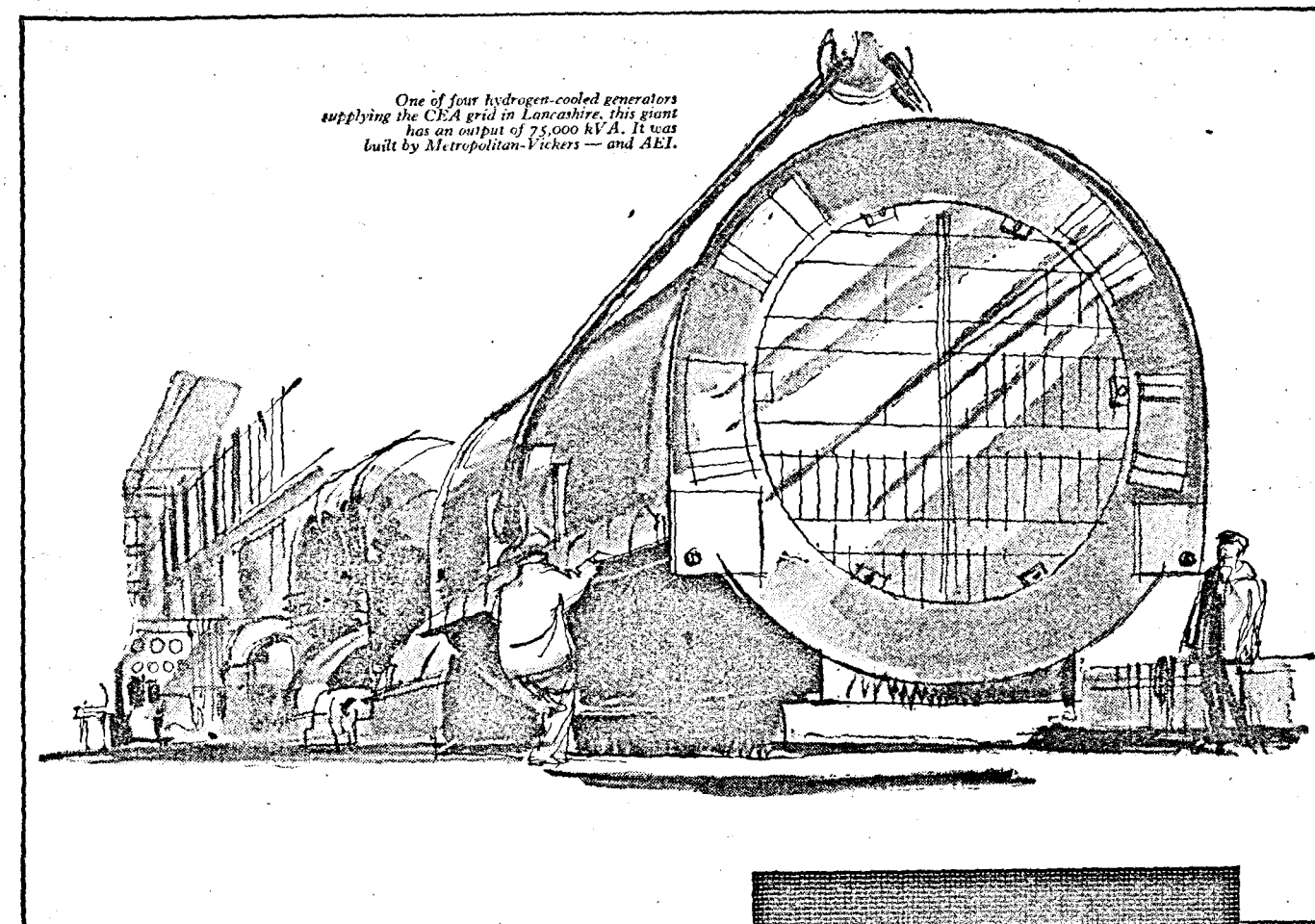
Death of a Salesman

LAST month the new government of Argentina devalued the peso and took other steps towards exchange reform. Now it has announced another major step towards setting external trade free. According to Dr Bunge, the Minister of Commerce, the government wishes to replace bilateralism by multilateralism, and state trading by private trading. IAPI, the state trading agency, is to be liquidated and other state intermediaries, such as the national institute of grains and elevators and the national meat institute, are to be "rationalised." IAPI will always be the symbol of Peron's policy of milking agriculture for the benefit of the towns. In the early postwar years this was simply a matter of paying the farmer a fixed price far below the price at which IAPI sold his produce abroad; latterly, when world prices had fallen, the price that the farmer received never kept pace with the domestic inflation. Is it surprising that today production of several of Argentina's staple exports is smaller than before the war? This year the agency, while retaining its monopoly for the import and sale of oil and certain other materials, lost two of its major exports. The institute of grains and elevators became wholly responsible for the marketing of grains and the meat institute took over responsibility for the marketing of meat.

It should not take long to wind up IAPI, and the private organisations stand ready to take over. What of the "rationalisation" of the other agencies? The meat companies, which are now obliged to act as the agents of the meat institute, will no doubt act as principals again. In the grain trade, however, it is hardly to be expected that the elevators, which were nationalised as long ago as 1941, will be returned to their former owners, the big international grain houses. But the government's statement suggests that it would like the private trade, which now buys on fob terms, to take over the marketing of grain from the interior onwards. Official intervention, it is said, will be limited to fixing minimum prices and to taking up grain—and other produce—at the minima if private offers are too low. The international grain houses would probably be willing to co-operate provided that they could come to a satisfactory arrangement with the government for the renting of elevator space. The grain institute's outstanding commitments and stocks cannot be disposed of quickly, but the government will probably seek to relieve it of its marketing functions as soon as possible. The international grain houses, which lost much of their business as a result of political favouritism, would no doubt seek assurances that they would be allowed to trade on equal terms.

New Liner Orders

IT is somewhat ironic that at a time when the eclipse of travel by sea due to competition from the air is being prophesied, orders should be announced for three passenger liners in the 40,000-tons class within less than a fortnight.



One of four hydrogen-cooled generators supplying the CEA grid in Lancashire, this giant has an output of 75,000 kVA. It was built by Metropolitan-Vickers — and A.E.I.

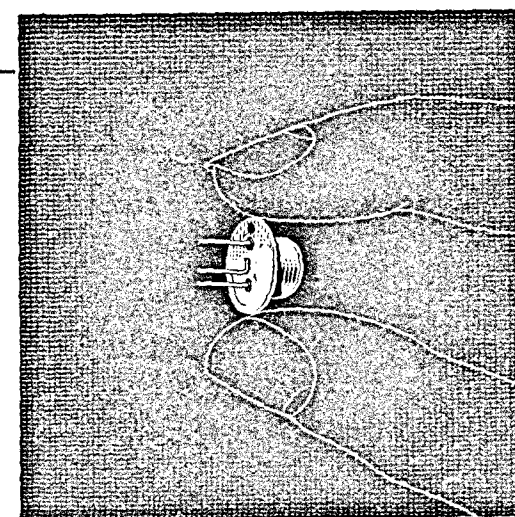
A transistor like this — the smallest kind of valve — may be used in a deaf-aid, or in equipment that controls whole industrial plants. They are made by British Thomson-Houston — and A.E.I.

LARGE & SMALL

Electrical equipment may weigh hundreds of tons or but a fraction of an ounce. This turbo-alternator is part of an installation which covers an acre of ground, the tiny transistor barely a thumbnail. Both are made by A.E.I. companies. Associated Electrical Industries is a practical partnership of great firms collaborating in research and economy of manufacture.

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Siemens Brothers & Co. Ltd.
&
Australian Electrical Industries Pty. Ltd.



&
A.E.I.

The Holland-America Line announced the placing of an order for a new trans-Atlantic liner of this size to run with the *Nieuw Amsterdam*, and little more than a week later came an intimation from the P & O group that the P & O and Orient Lines had plans under "immediate consideration" for the building of two 40,000-ton liners for the service to Australia. The more difficult decision to take was perhaps that of the Dutch line, as it is on the North Atlantic that competition from the air is keenest. But despite the enormous growth of trans-Atlantic travel by air, travel on this route by sea is still increasing.

From the technical aspect, the British ships will represent the greater advance. The new Dutch liner (to be called *Rotterdam*) will be similar in dimensions and tonnage to the *Nieuw Amsterdam*, but the Orient-P & O vessels will be a good 10,000 tons larger than any of the six vessels that maintain the group's Australian service at present, and will also be five knots faster. If the volume of trade and the depth of water at the terminal ports permit, an increase of size is the logical way of keeping down operating costs, and the higher speed follows more or less automatically for economic reasons.

The P & O orders, it has been reported, may be followed for orders for four new 18,000-ton liners from the Royal Mail Line, though the company has not confirmed this. These orders will be welcomed by British shipyards, despite their full order books. The great majority of present orders are for tankers or cargo vessels, and with ships of these types the proportion of work for the finishing trades (those concerned with the fitting out of accommodation spaces) is low. Passenger liners, and to a lesser extent warships, serve to correct the balance. One yard where the balance of work at present is particularly bad is the Belfast shipyard of Harland & Wolff, Ltd. This firm built the most recent addition to

the P & O passenger liner fleet, and will no doubt hope to secure one of the two new orders; it is also, incidentally, the yard where Royal Mail vessels are normally built.

German Steel Passes British

THE British steel industry is now fairly confident of producing 19½ million ingot tons this year—and fairly certain to become the fourth largest producer of crude steel in the world, not the third. Its output in October, 399,500 ingot tons a week, brought the annual rate for the first 10 months of 1955 to 19,615,000 ingot tons, and the industry normally produces more steel in November and December than the average for the rest of the year. But the West German industry, which produced almost as much steel as the British last year—1,430,000 tons a month, against Britain's 1,543,000 tons—has this year moved decisively ahead. In the first nine months of the year it produced 15,500,000 tons of crude steel; in the same period Britain's steel mills turned out 14,600,000 tons.

Capital for Chemicals

THE chemical industry, successful at exporting and successful at holding its prices down, has bulked large among the seekers of new capital this week. No fewer than four major capital projects have been announced: Marchon, nursed to maturity by ICFC, is to be sold to

Albright and Wilson for £2.6 million; Albright and Wilson is raising £4½ million to make the purchase and extend its other activities; Shell Chemicals announced a £1½ million detergent project; and Laporte Industries is to raise over £2 million.

The offer that Albright and Wilson has made for the entire share capital of Marchon and that of its partly owned subsidiary, Solway Chemicals, should remove the capital shortage this group has suffered from for some time. Even for a chemical manufacturer, the Marchon group has grown quickly; and it is now selling in four highly competitive markets—synthetic detergent materials, sulphuric acid, phosphates, and cement. The institutions that have provided £3½ million of the £4½ million capital it employs might reasonably feel that their work was done; but the timing is not good for a public offer. The Treasury has lent £2.35 million under the Distribution of Industry Act to the subsidiary, which operates the sulphuric acid plant. ICFC holds £476,000 ordinary and preference shares in the two companies. A £600,000 debenture was placed last July with the Prudential Assurance Co. And Colgate-Palmolive-Peet owns a tenth of the Marchon equity. The rest of the group's share capital—about £340,000—is held by the directors. Up to last December the group had tucked £400,000 away in reserves; it made a profit last year (before tax) of over £280,000, before the acid plant came into operation.

For Albright and Wilson the acquisition will open up new fields. To provide the purchase price and to pay for further expansion at Marchon and in its existing activities, that company is making a rights issue of six million 5s. ordinary shares on the basis of one new share for every two 5s. units of ordinary stock already held. The issue price, still to be fixed, will be in the region of 15s. 6d.; the stock now stands at 20s. 1½d.

Shell Chemicals, which supply alkylbenzene, a petroleum based detergent ingredient, to manufacturers of synthetic detergents, are building a plant at Shellhaven with an initial capacity of 20,000 tons a year. The plant should be ready in January and will be the first major chemical unit to come into operation at Shellhaven. The Laporte rights issue involves 3½ million 5s. ordinary shares at 12s. 6d. each on the basis of one for three 5s. ordinary stock units held. The issue brought the existing units down from 17s. 3d. to 14s. 9d., the new shares changing hands nil paid at around 2s. premium. Proceeds of this issue will help to pay for an increase in the group's output of hydrogen peroxide, titanium oxide and other products.

A Spurt in Hire Purchase

SIGNS of vigorous hire purchase buying in October are to be found in the latest returns from HP Information. In particular, a sharp jump in the number of HP sales of new cars is reported. An element of budget forestalling—fears of higher purchase tax that proved well founded and, perhaps, of fears of further restrictions on hire purchase terms that did not—probably helped to swell the month's figures, although the normal seasonal trend in hire purchase motor sales is now slightly upwards.

The total number of contracts reported during October was

NUMBER OF HP CONTRACTS

	Oct., 1954	Sept., 1955	Oct., 1955
New cars	4,784	6,012	8,295
Secondhand cars	21,254	26,068	26,075
Commercial vehicles	5,436	7,030	7,650
Motor cycles and side cars	15,147	17,261	15,591
Caravans	1,097	1,288	1,149

Source: HP Information

60,571 compared with 59,357 in September and with 52,309 in October last year.

Automation in the Small Firm

TO judge by their response to Mr John Diebold's lecture on automation the large sample of British managers gathered at the British Institute of Management's conference at Harrogate last week felt that this development in production technique was the most interesting—if sometimes two-edged—gift to management from the scientist of all those discussed at the various meetings. Not all business men were prepared to swallow the need for a grandiose "philosophy of feedback" to transform their outlook in the factory. But there was evident agreement on the need for mechanical and electronics engineers to get together in a new partnership to exploit the practical possibilities. Before Mr Diebold spoke, there had already been lively exchanges in another sectional meeting on the performance of the British machine tool industry in recent years, and some allegations that production men had to go abroad both for special purpose and standard tools that a measure of enterprise would have produced at home. Mr Diebold gave it as his opinion that machine tools designed for fitting with tape electronic controls were a promising competitive export line for Britain and added a rosy picture of the dollar market

Investment To Come

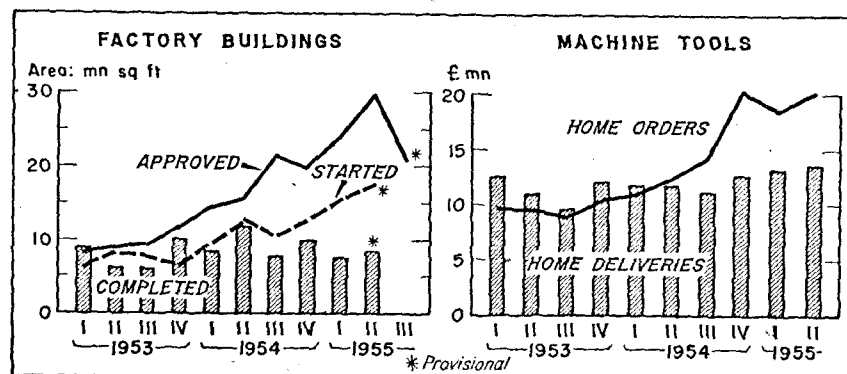
IT is difficult to detect signs of any slackening in the pace of industrial investment from the latest information about plans for new factories and orders for machine tools. The Board of Trade has announced that between July and September this year it approved 813 projects for new factories with a combined floor area of 20½ million sq. ft. Although this is less than the 29.6 million sq. ft. authorised in the previous three months (which included four gigantic projects) it is somewhat more than the Board's first estimate of the plans it approved in the third quarter of 1954; and the scale of applications in August and September were quite up to the level of earlier months if the large projects are left out.

Provisional figures of new factory space started and completed between April and June this year, at 15.2 million and 8.5 million sq. ft. respectively, are very much higher than the first estimates that were made for the corresponding period a year ago. The Board of Trade suggests that the final figure for schemes on which con-

struction began in the second quarter may be 17-18 million sq. ft., which compares with 12.6 million sq. ft. started between April and June last year. There may be a thinning out of plans yet to be formed, and a higher proportion of current projects may never reach fruition; but the vast number of schemes in the pipeline must mean a hefty increase in production space later next year.

New orders for machine tools placed

by British firms in July totalled just over £6 million and another £1.7 million worth of business came from overseas, against £3.8 million and £1.5 million in July, 1954. This is a much smaller increase in comparison with the previous year than the 50 per cent recorded between January and June. Even if the flow of new orders is now starting to tail off, as the industry is inclined to believe, it still has over £90 million of business on hand and its physical output has grown this year only by about a tenth.



for them; whereupon a Dutch delegate rose to explain the fruitful collaboration of a Dutch and a French firm in developing a range of such tools, simple and flexible in use, for even small factories. There was some fluttering of the conference "Who's who" as he did so.

A general disposition to regard automation primarily as a logical further extension of mechanisation—even though it makes possible some processes and products that have hitherto not been possible by older methods—did not detract from a rapt interest in the catalogue of the uses made of "automation" by American firms, large and small, reeled off by Mr Diebold. There was much discussion of the application of instrumentation to the small firm, which thereby may steal a march on its competitors, though the purchase of electronic equipment such as computers by the smaller firm must be regarded as a spur to rather rapid expansion of operations to keep it working fulltime. This, however, is but one of the complications introduced by new scientific advances to management routine; managerial adjustment to science was the theme of the conference. The rival draw to Mr Diebold was a session on maintaining the health (and nervous equilibrium) of the manager. That too was well patronised.

Should Poachers Play the Game?

MOST of the wage rates negotiated in collective bargaining are formally minimum rates, but if any employers' association is to maintain its bargaining power it must try to ensure that none of its members pay more. Employers, however, are perhaps at all times more competitive animals than trades unionists, and less easy to keep in line; in times like these, their competitive zest to obtain the scarcest resource of all, labour, is liable quite to extinguish their desire to co-operate in resisting wage increases. During this summer readiness to pay more than the standard rate has been only one of the methods used to lure labour to one's factory; special bonuses, and gifts to workers who introduce recruits, have been among the further blandishments offered. Among the better boys of the trades association this opportunism goes by the name of "poaching"; and it is not surprising that the British Employers' Confederation, at a recent two-day conference on "Industrial Relations" in London, should complain darkly of "short-sighted actions" by individual employers that "easily damage each other's interests" and "in the long run harm themselves as well."

Where prices are broadly competitive, the companies that are prepared to pay higher wages tend necessarily to be the more efficient ones, and the public benefits when they do attract labour from less efficient competitors. Labour "poaching," therefore, deserves mainly to be considered as one of those usefully emotive terms, like "cut-throat" competition, for those who want to protect the weak from any strong winds that blow in the market economy—though on occasion companies that pay higher wages than the rest are merely inviting labour to join them in a carefree conspiracy against the consumer.

Expansion in Steel

THE steel industry finds itself with no dramatic plan in hand, having largely completed the spectacular projects in its postwar development. But it is engaged on many important schemes over the next two or three years that are designed to raise the industry's crude steel output towards the 22½ million tons that the projection of the present level of demand seems to imply. One good example of such development—significant because it comes from a group covering a wide spectrum of the steel industry—is the heavy programme in which the constituent units of the United Steel companies are engaged. The Samuel Fox subsidiary, which specialises in alloy and stainless steels, is installing a new 80-ton electric furnace alongside the present 60-ton furnace; it is reconstructing its billet mill and installing a new rod and bar mill—all at a cost of £5.2 million. At Steel, Peech and Tozer work has started on a new medium width strip mill to cost £3.3 million; this will also be in production in two years' time and its output is already booked. Thirdly, the great mild steel works at Appleby-Frodingham—the scene of major advances in ore preparation, sintering, blast furnace practice and steel making since the war—is to spend £2½ million on a new battery of 66 coke ovens, and the reconstruction of the Appleby plate mill will cost £3.2 million.

On the major projects alone, therefore, United Steel faces commitments of the order of £14½ million, and the total bill will doubtless be considerably expanded by lesser though still considerable, ancillary development. The bulk of these expenditures can no doubt be met from internal resources—earnings set aside in various forms in 1953–5 were of the order of £5½ million, and in the latest year September 30th they will no doubt be even higher. Moreover, the group has presumably drawn the balance of £6 million on its 4½ per cent debenture stock subscribed by the Steel Agency during the past year.

The Ravenscraig scheme of Colvilles, near Glasgow, which is to cost £22 million, and should be in production in the autumn of 1957, is designed to produce 350,000 tons of iron and 400,000 tons of ingots a year. This will use mainly imported ore. The present plan provides for one blast furnace of 25 ft. 9 in. diameter (the "Queen Victoria" furnace at Appleby-Frodingham, incidentally, is of 28 ft. 6 in. diameter) and three 200-ton open-hearth steel furnaces. Finishing will be carried out at the Lanarkshire and Dalziel mills a mile or two away. The physical possibilities of expansion at Ravenscraig after the first stage construction has been completed are impressive; but the second stage rests on future decisions.

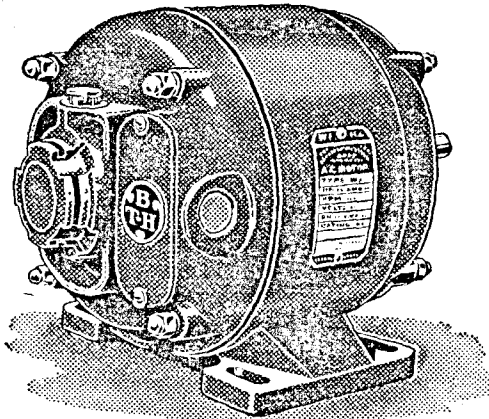
Vans in Higher Gear

IF the major car firms think they ought to be selling more cars than they are, particularly overseas, they should at least have little cause for complaint about their commercial vehicle sales. In the first eight months of the year total production of commercial vehicles rose by 27 per cent, and the greater part of this boom has been occurring in the



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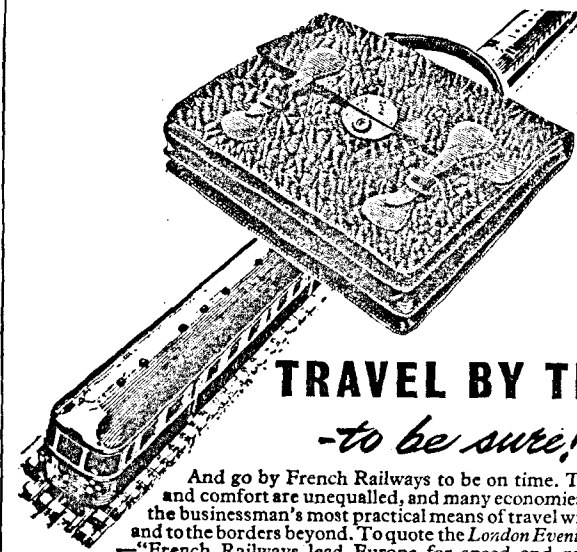
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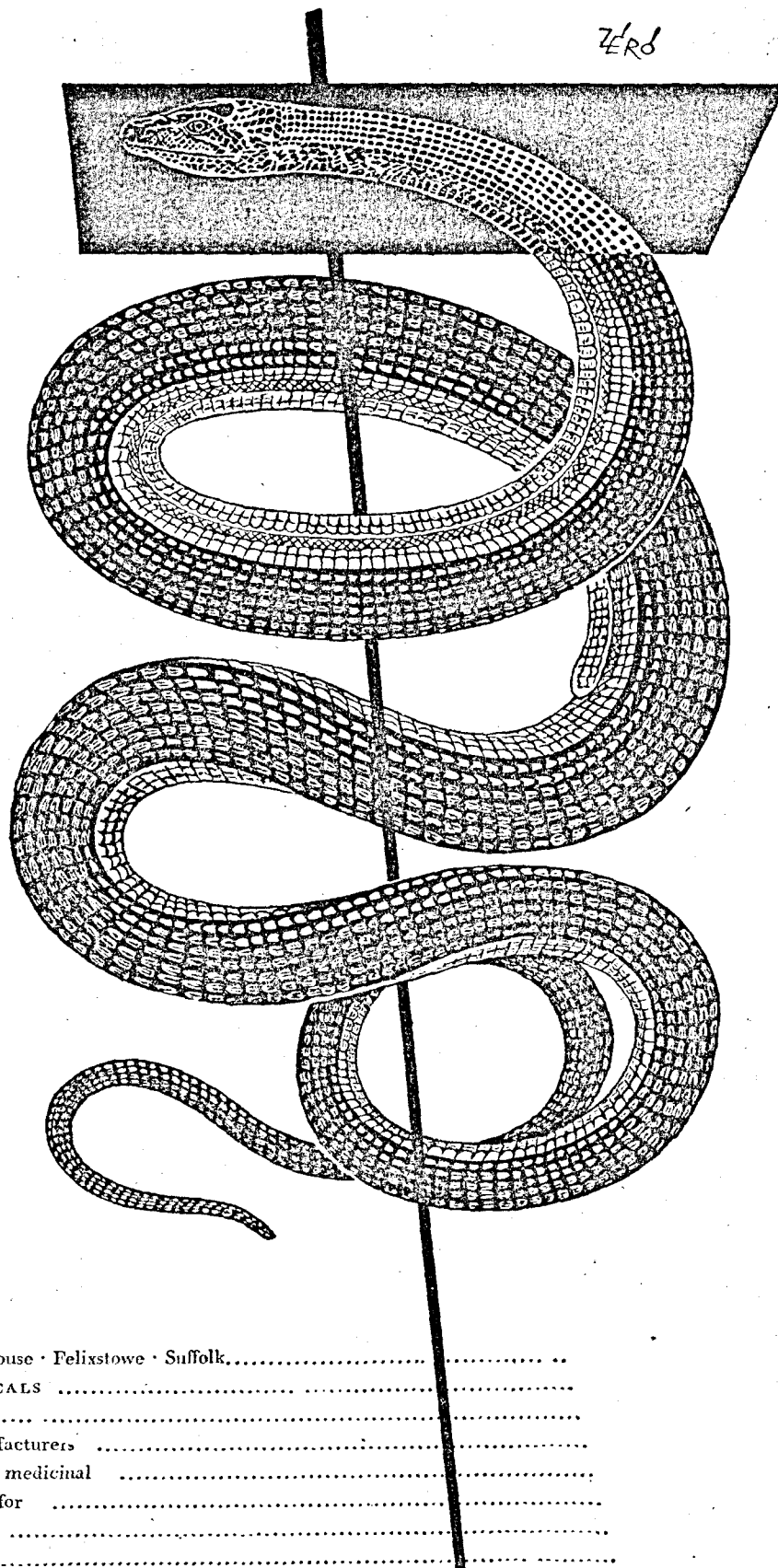
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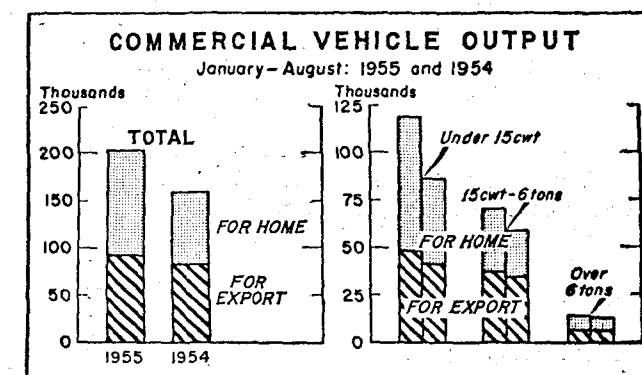
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lighter ranges of lorries and vans which the car manufacturers make in large quantities. The whole industry turned out 202,000 vehicles during these eight months, 112,000 for the home market and 90,000 for export against 78,000 and 81,000 last year. Home sales of vans with carrying capacities smaller than 15 cwt. were up by 61 per cent, and deliveries for export were up by 14 per cent. In the range of larger goods vehicles with capacities between 15 cwt and 6 ton home deliveries advanced 31 per cent and exports 8½ per cent. Only in the heaviest classes of trucks and special duty vehicles was the growth less than moderate: deliveries to home customers rose by only 2 per cent and exports by 6½ per cent. Car manufacturers are barely represented in the higher ranges; the makers of the heavier lorries all have substantial backlogs of orders reaching up to a year and a half for some of their models.



The increase of only 11½ per cent in exports of these vehicles should be compared not with the massive growth in sales at home, but with the much smaller gain in car exports and more particularly with the increase of only 6 per cent in exports achieved by the other major lorry producing countries. American exports have shown very little improvement, and French sales overseas have in fact fallen. Only the West German industry has chalked up a gain—about a quarter more. But this was mainly in lighter vehicles such as the Volkswagen Transporter; German exports are still less than a half the number shipped from Britain.

Traffic Barriers

THE only good point in the campaign that the three motoring organisations have recently launched against the use of parking meters is their insistence that the Minister of Transport construct more off-street parking accommodation. This is the major and essential part to any balanced programme designed to alleviate traffic congestion in big cities; and there is yet no sign of any serious programme of garage construction. A certain amount of space is being reserved for cars in some new shops and office blocks, but the relief this will afford will be negligible. The Minister's advisory committee on London traffic reported in 1951 that there were 25,000 parked vehicles at peak periods in 250 miles of streets in the inner area (and 8,000, mostly occupied, off-street parking places, including those on bombed sites that have since been built upon); by 1953 the number of parked vehicles in the innermost area had risen by about

forty per cent. Enforcement of further traffic regulations is now becoming a farce; and it is placing an impossible burden upon the police, whose shortage of numbers has already become grave.

The main barrier is the formidable cost of buying land to construct garages in central areas; it frightens private enterprise (as it has done in the United States) and even the LCC will be willing to build and operate garages only if it receives a 75 per cent grant from the Exchequer as well as the net revenue of parking meters. Expenditure on the scale that has been undertaken in many American cities is certainly far more than could be expected here. But the construction of the few new roads that for many years have been considered essential in British cities has also been delayed because of the amount of money they involve. The Minister of Transport has lately wielded a pneumatic drill on his department's section of the three-mile Cromwell Road extension scheme intended to ease westbound traffic into and out of London; when his task has been completed in 1959 it will be the first of its kind to have been cut for half a century. A similar scheme, to widen Park Lane, still awaits a decision on whether an underpass or a roundabout should be constructed at its southern end. An underpass would be much more costly, but Hyde Park Corner is believed to be the busiest traffic intersection in the world.

Advice on Chemical Engineering

THERE is still a measure of disquiet in the chemical industry about the standard of chemical engineering in this country—some of the biggest chemical projects built here since the war have relied heavily on advice and blueprints obtained from the United States. The industry and the plant manufacturers, who have had discussions on this since the Cermer report pointed out some of the shortcomings four years ago, have decided at last that what both industries need is not a central research association for chemical engineering, but an advisory service "to stimulate a proper appreciation of the economic advantages of applying chemical engineering knowledge" and a research committee to look at the engineering requirements of the chemical industry and to suggest methods of filling the most noticeable gaps. The Association of British Chemical Manufacturers is setting up such a joint research and advisory committee, the part of the plant manufacturers apparently being restricted to the appointment of a liaison member. It is probably true that a substantial amount of research is already being done both by manufacturers and universities, and that what the industry most needs is the better distribution of information about available processes. The ABCM's committee is intended to do this, and to do it where necessary on a confidential basis.

Price Averaging in Sugar

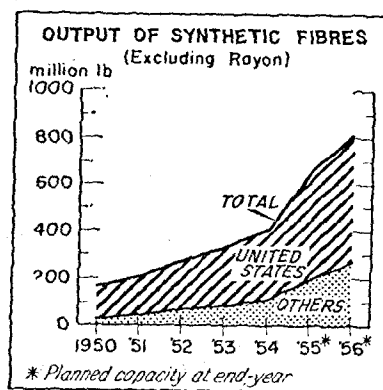
ALL markets are marginal, but some are more marginal than others. The New York sugar market, for one, is criticised because the turnover can be so small that the world price quoted there cannot be called representative.

The trade in this country hopes to change that when the passage of the Sugar Bill allows the government to return all imports of sugar to private hands, and allows the trade to reopen the London futures market in raw sugar. London, it is hoped, will again set the world price, and a fully representative one. Hence some traders are worried by the amount of sugar that British refiners have bought, or have taken options to buy, on a price averaging basis; the quantity is about 500,000 tons, of which 250,000 tons is from San Domingo and 200,000 tons from Cuba. The sugar will be for delivery next year at a price based on the average of the world price, *fas* Cuba. It will thus be priced on the market but not pass through the market which will to that extent be narrowed.

Such shipments assist buyer and seller to take a longer view of the market, but if they form a large proportion of the trade, the market price becomes a small tail wagging a big dog. Buyers are no doubt aware of this danger. The quantity so far affected is small compared with a turnover in London that will reach over 3 million tons, but sales on a price averaging basis will probably tend to increase when arrangements are being made for the purchase of Commonwealth sugar from the Sugar Board.

Nylon Still Tops

OUTPUT of the newer man-made fibres as a whole is still growing apace. World output has nearly doubled in the past four years, from 212 million lb in 1951 to 403 million in 1954, though it remains a mere tenth of world production of the first of all synthetics—rayon. By the end of 1956 world capacity is expected to double once more and reach 810 million lb. The expansion is general among producing countries and widespread among the synthetic fibres. But the United States remains predominant among producers, and nylon among the newer synthetics. In its latest review* the Commonwealth Economic Committee



observes that the United States still accounts for over two-thirds of world production; nylon accounted for over half the American output in 1954 and for an even higher proportion in other countries. The capacity for nylon production in the United States is expected to rise to 320 million

lb in 1956, compared with an output of 175 million last year, and plans for expansion are under way in almost every other country where nylon is made.

There are now more than a dozen types of the newer synthetics, grouped into seven main categories: the polyamides, nylon and perlon; the polyester Terylene, produced in the United States under the name Dacron; the polyethylenes; the acrylic polyvinyl fibres which, intro-

* Industrial Fibres. HMSO. 5s

duced mainly in the United States, have had a full share of disappointments; the non-acrylic polyvinyls, developed notably in the United States, Japan and Germany; the protein fibres such as Fibrolane and finally the mineral (glass) fibres. It will be some time yet before the most appropriate applications for these fibres, alone or in blends, have been found, but the prospect is exciting.

SHORTER NOTES

Limits sanctioned by the Government for temporary borrowings by the nationalised industries will stand at £58 million on December 31st, compared with £298 million on September 30th last. This reduction, disclosed in a Parliamentary answer this week, will result from the heavy repayments that are now being made by the Gas and Electricity industries from the proceeds of their £300 million of stock issues placed last summer. These official limits give no precise indication, however, of either the amounts actually borrowed or of the limits granted by the banks. The banking limits that will operate in the new year have yet to be determined, but will certainly be much lower than those to which the nationalised industries have been accustomed in the past.

Details are announced of the terms on which Hadfields is prepared to reacquire Millspaugh, the makers of paper and pulp machinery. The offer is two £1 ordinary shares of Hadfields (market price 28s. 9d. per share) for seven ordinary units of 2s. 6d. (market price 7s. 9d. per unit) in Millspaugh. Hadfields acquire any dividend in excess of 12½ per cent declared by Millspaugh for the year ended September 30, 1955, and the new shares offered exclude the 3½ per cent interim dividend recently declared by Hadfields. Group profits of Millspaugh before tax for the year ended September 30th are estimated at about £450,000 (against £209,569).

The number of industrial insurance policies in force at the end of 1954 was 121,200,000 compared with 121,500,000 at the end of 1953. In last week's issue of *The Economist* the figures were reversed and the comparison wrongly presented as between 1952 and 1954. The net addition to industrial life funds last year was £65.2 million, not £62.5 million as printed.

The directors of International Nickel Company of Canada have declared a quarterly dividend of 65 cents and an extra year-end dividend of \$1.35 on the no par value common stock—making a total of \$3.75 on each unit for 1955, compared with \$2.90 for 1954. Since the announcement the common stock units have gained \$1¼ to stand at \$143½ on the London Stock Exchange.

Company Notes

FISONS. From a turnover of £32 million Fisons earned a profit, after depreciation and interest payments, of £2,656,276 in the year to June 30th. In 1953-54 the group gained a profit of £2,956,476 from a turnover of £28 million. The volume of sales was not lower, but the profit margins on fertilisers, despite some increase in prices, were squeezed. As the chairman, Mr F. G. C. Fison, explains, "a continuous rise in cost in virtually all items entering into fertiliser manufacture prevented the group from maintaining profits." The chief culprit was freight rates. The prices of some of the raw materials that the group uses, such as phosphate rock, went up, but 60 per cent of the increase in the bill for raw materials was accounted for by increases in freight rates, principally on phosphate rock. Much of that increase took place in the first months of this calendar year. Mr Fison refrains from making any direct forecast about immediate prospects, though he does say that he believes that "the out-turn for the farmer this year will be better than he has experienced for some time." And British farmers with more money in their pockets should bring custom to Fisons.

Among the group's immediate concerns is the decision by the Government to submit the fertiliser industry to an examination by the Monopolies Commission. Mr Fison does not consider it yet proper to make any detailed comment. But he fires off an opening shot in expressing the hope that

the Commission will recognise that insofar as our own activities are concerned at least, there are no restrictive practices of any importance, the industry is very progressive technically, and that profit margins are entirely reasonable.

Mr Fison adds that profits before tax in 1953-54 represented a return of only 10 per cent on sales and in 1954-55 the return was smaller.

Stockholders, who receive a 15 per cent dividend, will note that the group has to find big sums of money, either from internal or external sources, to finance research and development. Among those investment projects can be listed the further development of Fisons Pest Control and the spending of about £4½ million on building a plant at Shellhaven to convert a proportion of the ammonia produced in the Shell Chemical plant into fertiliser.

STANDARD MOTOR. Lord Tedder, the chairman of the Standard Motor Company, in his statement with the full accounts sets out three reasons why liquid resources should be conserved, and therefore by implication why in his view the ordinary dividend had to be left unchanged at 12 per cent. He points to the need "to meet competition, to buy the expensive capital equipment essential to modern production methods, and to help the country's fight against inflation."

Stockholders, in assessing the future of Standard Motor, will undoubtedly concentrate upon the first two of Lord Tedder's arguments. They will also see from the consolidated balance sheet that on August 31st the company was not short of liquid resources. Indeed, despite substantial expenditure on fixed capital, the total of cash and tax reserve certificates came to £8,189,137, compared with £3,764,879 the year before. The reinforcement of liquid resources had been helped by the £3 million preference share issue and by the ploughing back of nearly £2 million into reserves.

The need to meet competition is Lord Tedder's first point. No doubt he is keenly aware of the vulnerability of the company, whose profit margins are smaller than those earned by most other motor manufacturers, in competitive markets. The increase in purchase tax should sharpen that competition. Standard Motor is preparing to meet a competitive struggle by continuing its production of the Ferguson tractor, by adding to its manufacturing and assembly plants abroad and by concentrating at home on the production of "baby cars." Significantly out of a total production of 435 cars a day, 325 are 8 hp and 10 hp models.

All these steps are linked with Lord Tedder's second argument that liquid resources must be conserved to buy the new capital equipment the company needs. He points out that in 1954-55 the company spent about £4½ million on new plant, equipment, dies and other capital assets and is committed to spend at least another £4 million. The programme includes a plan for "the complete revision of the company's factory layouts." That, Lord Tedder adds, will mean "some temporary dislocation of production," cutting down output and revenue.

JOSEPH LUCAS. The summer of booming profits, dividends and markets has now given place to an autumn of prudence. Profits are still high but dividend payments have become more conservative and stock markets more uncertain. The frost of disappointment is in the air. Its nip was felt in Throgmorton Street this week when Joseph Lucas left its ordinary dividend effectively unchanged. Following the 100 per cent free scrip issue, its directors halved the interim ordinary rate and now they have halved the final rate. On the new capital the dividend for the year to July 31st is 7½ per cent, exactly equivalent, allowing for the 100 per cent scrip issue, to the 1953-54 payment. Because of the big earnings cover on the dividend and because the demise of EPL would swell those earnings still further investors had hoped that the directors of Joseph Lucas would be more generous. The winter of discontent was made manifest when the £1 ordinary shares were marked down 3s. 3d. to 39s. (to offer a yield of £3 17s. per cent).

The group's preliminary profit statement is defective in another sense. In a year in which the company's main customers, the motor manufacturers, have earned record profits it is not clear from the Joseph Lucas statement whether profits have gone up or not. The statement says that the surplus after tax was £1,801,346 and that the 1953-54 figure was £1,451,498 "after charging £675,300 for EPL and income tax not now required." The statement goes on: "after allowing for these adjustments the comparative figure becomes £2,126,798" and that in arriving at the 1954-55 surplus "a reserve of £350,000 has been made to cover increases arising on the valuation of basic materials." Amid all that confusion—and the statement must rank among the most confusing published this year—stockholders should cling to the one firm fact that taxation absorbs £5,056,177, compared with £5,460,127. The 1953-54 figure for tax included £439,046 for EPL; the inference must be that gross profits before tax have risen. But it is only an inference. And from a preliminary statement stockholders are entitled to be certain about the trend in profits—not merely to infer it.

ANGLO-ECUADORIAN OIL-FIELDS. The battle of bids for the control of Anglo-Ecuadorian Oilfields, discussed in these columns on October 22nd, is over. The two sides, the directors of Lobitos (who also constitute the board of Anglo-Ecuadorian) and the directors of the American company, South American Gold and Platinum, have come to terms. The settlement has led to a new offer by Lobitos to stockholders in Anglo-Ecuadorian. The first offer from Lobitos was of four Lobitos 5s. ordinary stock units plus 10s. in cash for every Anglo-Ecuadorian stock unit. The new proposal is that the Anglo-Ecuadorian £1 stock units should be split into three 6s. 8d. units. For every two of these new units Lobitos offers two of its own 5s. ordinary stock units plus 15s. in cash; the remaining 6s. 8d. unit of Anglo-Ecuadorian will remain in the possession of the stockholder. Since the second offer both the price of the Lobitos units and that of the Anglo-Ecuadorian units have fallen (to 11s. 10½d. and 54s. 6d. respectively). That was due to selling by bulls who had been hoping that South American Gold and Platinum would make a bid better than the original Lobitos offer. On current prices the new Lobitos offer makes each Anglo-Ecuadorian unit worth about 57s. (compared with the market price of 54s. 6d.).

Lobitos and South American Gold and Platinum will adjust their respective holdings in Anglo-Ecuadorian, by transferring the 6s. 8d. units from one to the other at 20s. each, until both companies hold exactly the same amount of stock. Each company will be represented by the same number of directors on the board of Anglo-Ecuadorian but Lobitos will nominate the chairman, who will have the casting vote. In recommending the new offer the Lobitos directors point out that Anglo-Ecuadorian stockholders will receive a larger cash payment; that the

management of the company will be broadened by the inclusion of the directors appointed by South American Gold and Platinum, which already possesses considerable oil interests in Ecuador; that Anglo-Ecuadorian stockholders will retain a direct stake in the company; and that Anglo-Ecuadorian will benefit from the retention of a public market in its stock. In addition they will secure an interest in Lobitos. This amicable settlement has much to commend it—especially since it does not disturb the plan to transfer control of Anglo-Ecuadorian for tax purposes to South America. It is worth noting that South American Gold and Platinum has accepted the original estimate by Lobitos that 60s. was a "fair price" for the Anglo-Ecuadorian stock units.

Planet Trading Company was acquired. That acquisition is but one example of how the group has been adding to its investments in the hotel trade and in distributive outlets for bottled beer.

At the current price of 8s. 6d. the 5s. ordinary stock units yield 7½ per cent, a yield that makes some allowance for the fact that money is still needed in the business to push the sale of bottled beer and to attract a bigger proportion of the shrinking number of draught beer drinkers into the company's public houses and that, therefore, the directors are likely to be cautious about dividends.

BIRMINGHAM SMALL ARMS. This company cannot be classified simply as a motor manufacturer. Indeed, its interests in small arms, cycles, motor cycles and machine tools are at least as important as those in the production of motor vehicles. Its trading experience in the year to July 31st was also different from that of the vehicle producers. They have reported increases in profits; BSA reports a fall in gross trading profits (from £3,079,826 to £2,865,676). That decline, the directors say, reflects the effects of the dock and rail strikes and of "the continued effort to maintain the lowest possible selling prices in the face of increasing costs."

Thanks to a decline in taxation (from £1,937,269 to £1,610,992) and thanks in particular to the demise of EPL, the consolidated net profit has risen from £1,196,416 to £1,610,992. The directors have taken this as an opportunity to raise the ordinary dividend from the equivalent of 8½ per cent to 10 per cent. On that dividend the £1 ordinary stock units at the current price of 37½ yield 5.4 per cent.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Oct. 26, 1954	July 26, 1955	Aug. 30, 1955	Sept. 27, 1955	Oct. 25, 1955	Oct. 26, 1954	July 26, 1955	Aug. 30, 1955	Sept. 27, 1955	Oct. 25, 1955
	1954	1955	1955	1955	1955	1954	1955	1955	1955	1955
2½% Consols.....	97.0	80.8	77.8	78.2	82.3	3.64	4.38	4.55	4.53	4.30
Debt securities:										
Industrial.....	91.3	82.2	78.5	76.7	78.7	4.51	5.00	5.24	5.36	5.23
Investment trust.....	93.4	84.7	81.3	80.0	80.1	4.42	4.88	5.08	5.16	5.15
Preference stocks:										
Industrial.....	95.8	85.4	81.8	80.8	84.3	4.74	5.34	5.57	5.64	5.41
Investment trust.....	93.4	81.9	78.7	77.7	78.9	4.72	5.38	5.60	5.68	5.59
Ordinary stocks:										
Banks.....	116.8	104.1	97.5	93.3	93.5	3.96	4.58	4.88	5.10	5.09
Industrial insurance.....	137.1	151.2	139.7	137.3	134.1	4.40	4.21	4.62	4.68	4.78
Investment trust.....	187.1	256.0	232.8	221.2	212.5	4.43	3.82	4.22	4.51	4.75
Electrical engineering.....	141.5	174.9	159.7	149.2	145.1	4.67	4.26	4.68	4.56	4.97
Engineering.....	170.2	207.1	184.2	182.4	175.4	4.10	3.95	4.45	4.49	4.73
Motors and aircraft.....	180.5	214.5	197.7	191.5	178.6	4.46	3.72	4.06	4.19	4.52
Breweries.....	123.4	112.6	109.7	108.6	105.3	5.92	6.61	6.75	6.81	7.03
Chain stores.....	284.7	280.1	261.6	260.0	250.0	2.69	3.54	3.79	3.82	3.96
Cotton textiles.....	125.0	115.9	106.9	106.3	102.6	6.99	7.88	8.51	8.53	8.82
Household goods.....	165.2	158.1	148.1	141.7	134.8	4.57	5.85	6.24	6.53	7.04
Rayon.....	81.6	75.4	70.6	68.4	64.9	5.89	7.82	8.39	8.67	9.21
Tobacco.....	95.4	82.3	81.4	79.4	77.7	6.73	6.65	6.73	6.95	7.11
Wool textiles.....	124.3	123.9	115.8	115.0	109.1	5.64	6.41	7.10	7.15	7.52
Chemicals.....	194.7	239.6	218.4	210.8	200.6	3.86	3.78	4.13	4.28	4.50
Oil.....	195.3	252.8	235.2	237.1	225.2	5.27	4.67	4.97	4.99	5.30
Shipping.....	147.8	175.0	162.6	163.4	169.9	5.21	4.86	5.30	5.31	5.14
Total (capital goods).....	162.1	196.6	178.7	174.1	167.7	4.63	4.84	4.67	4.71	4.97
Total (consumption goods).....	142.6	137.4	130.1	128.2	123.9	5.28	6.84	6.15	6.26	6.49
Total industrial (all classes).....	155.0	168.0	156.4	153.5	148.1	4.98	5.07	5.45	5.52	5.75

LONDON STOCK EXCHANGE

Next Account begins: November 16th

Next Contango Day: November 16th

Next Settlement Day: November 22nd

LARGE falls occurred in gilt-edged securities on Monday when prices were lowered on small offerings, and further heavy losses followed the announcement of the projected Rhodesia and Nyasaland loan with a coupon rate of 5 per cent. The turnover in government stocks was considerably higher, 3½ per cent War Loan being particularly active. This issue bore the brunt of the selling and declined from 78 xd to 74 xd during the week. Old Consols fell to 55½; 4 per cent Funding 1960/90 at 89½ was—as was War Loan—at its lowest point for the year. In dealings on Thursday gilt-edged prices were firmer. Corporation and Dominion stocks were all marked down in sympathy.

German bonds advanced strongly at the beginning of the week but lost part of their earlier gains later on the news from Geneva. Japanese stocks also lost some of the ground they had gained before the week-end. Greek loans were still supported; 6 per cent Peruvian National bonds rose 1½ to 91½ while the Corporation debenture issue improved from 87½ to 88½ in anticipation of the scheme of arrangement now under consideration.

Leading industrial stocks were marked down in the absence of buyers; and many of the dividends announced recently came as a disappointment to investors. In the week to the close on Wednesday the *Financial Times* ordinary index declined from 193.2 to 187.8, the biggest loss occurring on Wednesday. Debenhams fell to 36s. xd, the lowest for the year. The bigger interim dividend from Marks and Spencer was followed by a fall of 1s. 3d. in the "A" shares to 64s., but they rallied quickly to 65s. British Xylonite were lowered to 44s. after an unchanged interim.

Disturbances in the Middle East were reflected in the weakness of British Petroleum and Burmah Oil, but Royal Dutch improved to 58. Free State Geduld and Randfontein fell to 66s. 6d. and 44s. respectively on Wednesday, pulling other Kaffirs down with them, though a rally was staged in late dealings on that day.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Nov. 2.....	193.2	102.64	4.30	5.15
" 3.....	192.2	102.48	4.30	5.20
" 4.....	191.8	102.40	4.32	5.21
" 7.....	191.0	101.78	4.41	5.23
" 8.....	189.1	100.53	4.44	5.28
" 9.....	187.8	99.42	4.50	5.32
1955, High.....	223.9	115.97	4.30	5.15
" Low.....	175.7	98.23	4.30	5.20
1954, High.....	184.0	118.10	4.30	5.15
" Low.....	131.1	111.78	4.30	5.15
* July 1, 1935=100. † 1928=100.				

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Nov. 9		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Nov. 2, 1955	Price, Nov. 9, 1955	Yield, Nov. 9, 1955	Gross Yield, Nov. 9, 1955	Prices, 1955 Jan. 1 to Nov. 9		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Nov. 2, 1955	Price, Nov. 9, 1955	Yield, Nov. 9, 1955
High	Low							High	Low						
100 1/2	96 1/2	Funding 2 1/2% '52-57	97 1/2	97 1/2	£ s. d.	£ s. d.	46/6	34 8 1/2	4 a	%	STEEL & ENGINEERING		37/-	37/-	£ s. d.
100 1/2	97 1/2	War Bonds 2 1/2% '54-56	98 1/2	98 1/2	3 2 8	4 10 11 1/2	13/10 1/2	10/-	10 1/2 b	%	6 b B.S.A. £1	13/-	12/9	5 8 1	
100 1/2	93	War Loan 3 1/2% '55-59	95	94 1/2	3 2 3	4 9 0	39/3	27/-	...	%	3 1/2 a Cammell Laird 5/-	34/3	33/3	5 8 3 1/2	
99 1/2	99 1/2	Serial Fundg 3 1/2% 1955 Asstd	99 1/2	99 1/2	2 11 7	4 5 8 1/2	36 7 1/2	23/-	...	%	3 a Colvilles £1	31/9	31/3	5 2 5	
99 1/2	99 1/2	Conversion 4 1/2% '57-58	99 1/2	99 1/2	2 10 2	4 5 5 1/2	54/-	31 1/2	20 c	%	3 1/2 a Guest Keen N'fold £1	46 10 1/2	47/6	4 4 3m	
100 1/2	96	Serial Funding 2 1/2% 1957	96 1/2	96 1/2	3 6 7	4 5 1	79/9	42/-	12 1/2 c	%	5 a Stewarts & Lloyds £1	71/-	69/3	3 12 3	
99 1/2	91 1/2	Conv. 2 1/2% 1958-59	93 1/2	92 1/2	3 8 10	4 8 5 1/2	47/-	27/6	6 1/2 b	%	4 a Summers (John) £1	40/-	40/-	5 0 0m	
97 1/2	89 1/2	Exchequer 2 1/2% 1960	90 1/2	90 1/2	3 9 5	4 8 6	50/-	28/6	6 b	%	4 a United Steel £1	44/3	43/-	4 13 0	
104 1/2	92 1/2	Exchequer 3 1/2% 1960	95 1/2	94 1/2	2 18 6	4 6 0	47 10 1/2	34/-	6 b	%	2 1/2 a Vickers £1	42/-	40/6	4 3 11	
100 1/2	83 1/2	Savings Bonds 3 1/2% '55-65	89 1/2	87 1/2	3 6 11	4 15 5 1/2	30 4 1/2	19/6	6 b	%	4 a Bradford Dyers £1	21/-	20/6	9 15 1	
100 1/2	86 1/2	Funding 2 1/2% '56-61	90 1/2	89 1/2	3 12 1	4 15 1 1/2	35/-	24/3	3 a	%	7 b Brit. Celanese £1	25/-	25/-	8 0 0	
97	78 1/2	Funding 3 1/2% '59-69	83 1/2	81 1/2	3 10 0	4 19 0	29/6	23/-	2 1/2 a	%	6 1/2 b Coats (J. & P.) £1	25/-	24/-	7 5 10	
103 1/2	89 1/2	Funding 4 1/2% '60-90	91 1/2	90 1/2	4 16 7	6 13 0	25/3	35/-	6 b	%	4 a Courtaulds £1	41 6/4	40/-*	5 0 0	
96 1/2	77 1/2	Savings Bonds 3 1/2% '60-70	83 1/2	80 1/2	3 8 5	4 18 0	34 1 1/2	24/6	7 1/2 b	%	5 a Lancs. Cotton £1	28/-	27/-	9 5 2	
102 1/2	87 1/2	Exchequer 3 1/2% '62-63	93 1/2	90 1/2	3 2 4	4 8 11 1/2	36 0 1/2	28/-	2 1/2 a	%	10 b Patons & Baldwins £1	30/6	29/9	8 8 1	
99 1/2	82 1/2	Exchequer 2 1/2% '63-64	87 1/2	85 1/2	3 8 4	4 11 6 1/2	22 11 1/2	17 4 1/2	6 1/2 b	%	3 1/2 a Bristol Aeroplane 10/-	20/3	19/9	5 1 3	
95 1/2	77 1/2	Savings Bonds 2 1/2% '64-67	81 1/2	79 1/2	3 12 11	4 17 3 1/2	35/-	9 6 1/2	4 a	%	8 1/2 b British Motor 5/-	10/3	9/9	6 8 3	
94 1/2	75 1/2	Savings Bonds 3 1/2% '65-75	81 1/2	78 1/2	3 4 6	4 14 8 1/2	21/3	21/3	7 1/2 c	%	Nil c De Havilland £1	25/-	23/6	Nil	
105 1/2	91 1/2	Victory 4 1/2% '20-76	95 1/2	94 1/2	2 19 8	4 16 1 1/2	60/-	37/-	15 c	%	2 1/2 a Ford Motor £1	43 1 1/2	42/6	3 10 7 1/2	
98 1/2	78 1/2	Funding 3 1/2% '66-68	85 1/2	82 1/2	3 10 3	4 19 9 1/2	70/9	43 1 1/2	7 1/2 b	%	5 a Hawker Siddeley £1	51/-	49/-	5 2 0	
103 1/2	83 1/2	Conv. 3 1/2% 1969	89 1/2	87 1/2	3 4 6	4 17 5	52/9	33/6	25 c	%	30 c Leyland Motors £1	43/9	43/9	4 11 5m	
98 1/2	80 1/2	Treas. 3 1/2% '77-80	86 1/2	82 1/2	3 0 7	4 14 1 1/2	133 1 1/2	71/3	12 1/2 b	%	5 a Rolls Royce £1	108/9*	108/9	3 4 4	
99 1/2	80 1/2	Treas. 3 1/2% '79-81	86 1/2	83 1/2	2 19 9	4 13 11 1/2	12 3 1/2	6 10 1/2	12 c	%	12 c Standard Motor 5/-	8 10 1/2*	8 4 1/2*	7 3 3	
88 1/2	68 1/2	Redemption 3 1/2% '86-96	74 1/2	71 1/2	2 18 5	4 10 11 1/2	21 7 1/2	12/6	17 1/2 b	%	3 a Boots Pure Drug 5/-	17/6	16/9	4 2 1 1/2	
95 1/2	78 1/2	Funding 3 1/2% 1999-2004	84 1/2	81 1/2	2 14 9	4 10 3 1/2	47/6	36/3	7 1/2 a	%	20 b Debenhams 10/-	38/-*	36/9*	7 9 8	
97 1/2	82 1/2	Consols 4 1/2% aft. Feb. '57	88 1/2	85 1/2	2 14 4	4 15 1 1/2	56/9	35 10 1/2	15 a	%	45 b Gt. Universal 5/-	44/-	38/-	7 17 11	
88 1/2	74 1/2	War L'n. 3 1/2% aft. Dec. '52	78 1/2	74 1/2	2 14 2	4 14 5 1/2	76/-	58/6	30 b	%	5 a Lyons (J.) 'A' £1	98/9*	98/9*	4 11 2	
89 1/2	72 1/2	Conv. 3 1/2% aft. April '61	78 1/2	74 1/2	2 13 3	4 12 9	71/9	55/-	36 1/2 b	%	17 1/2 a Marks & Spen. 'A' 5/-	67/-	64/6	3 13 8	
78 1/2	63 1/2	Treas. 3 1/2% aft. April '66	68 1/2	65 1/2	2 13 3	4 12 9	139/-	68/6	14 b	%	20 a Woolworth 5/-	60/9	58/9	4 5 1 1/2	
66 1/2	54 1/2	Consols 2 1/2%	58 1/2	55 1/2	2 11 8	4 10 11 1/2	50/-	50/-	7 1/2 a	%	5 1/2 a British Petroleum £1	115 7 1/2*	108 1 1/2*	2 15 6 1/2	
66 1/2	54 1/2	Treas. 2 1/2% aft. April '75	58 1/2	55 1/2	2 11 11	4 10 7 1/2	50 1/2	45 1/2	6 a	%	13 1/2 b Burmah £1	75 7 1/2*	71 10 1/2*	2 18 5 1/2	
99 1/2	97 1/2	Br. Elec. 3 1/2% '67-69	98 1/2	98 1/2	2 15 4	4 14 4 1/2	50 1/2	45 1/2	5 1/2 a	%	10 b Royal Dutch 100 fl.	555	557 1/2	2 12 5	
94 1/2	75 1/2	Br. Elec. 3 1/2% '68-73	81 1/2	79 1/2	3 6 10	4 16 6 1/2	109/9	26/9	5 1/2 a	%	10 1/2 b Shell Reg. £1	130/-	127/6	4 1 10	
93 1/2	75 1/2	Br. Elec. 4 1/2% '74-77	80 1/2	78 1/2	3 3 5	4 13 6 1/2	44/6	26/9	5 1/2 a	%	16 1/2 b Trinidad L'holds 5/-	41/6	39/6	4 15 6	
109 1/2	90 1/2	Br. Elec. 4 1/2% '74-79	96 1/2	93 1/2	2 16 6	4 14 7 1/2	37/3	25/6	7 b	%	2 1/2 a Cunard £1	27/-*	26/6*	7 7 2	
98 1/2	80 1/2	Br. Elec. 3 1/2% '76-79	85 1/2	82 1/2	3 1 7	4 15 3 1/2	61/-	45/-	12 c	%	14 c Furness Withy £1	48/-	48/-	5 16 8	
105 1/2	88 1/2	Br. Gas 4 1/2% '69-72	93 1/2	91 1/2	2 19 11	4 16 9 1/2	38/6	27/6	13 b	%	3 a P. & O. Def. £1	33/6	32/6	4 18 6m	
102 1/2	82 1/2	Br. Gas 3 1/2% '69-71	88 1/2	86 1/2	3 3 5	4 16 7 1/2	61/-	45/-	13 b	%	3 a P. & O. Def. £1	33/6	32/6	4 18 6m	
88 1/2	71 1/2	Br. Gas 3 1/2% '90-95	79 1/2	72 1/2	2 18 2	4 10 2 1/2	37/3	25/6	7 b	%	2 1/2 a Cunard £1	27/-*	26/6*	7 7 2	
94 1/2	76 1/2	Br. Trans. 3 1/2% '68-73	81 1/2	79 1/2	3 6 10	4 16 6 1/2	61/-	45/-	12 c	%	14 c Furness Withy £1	48/-	48/-	5 16 8	
105 1/2	87 1/2	Br. Trans. 4 1/2% '72-77	93 1/2	91 1/2	2 18 3	4 15 7 1/2	38/6	27/6	13 b	%	3 a P. & O. Def. £1	33/6	32/6	4 18 6m	
88 1/2	70 1/2	Br. Trans. 3 1/2% '78-88	76 1/2	73 1/2	3 0 8	4 12 10 1/2	97/6	61/3	14 c	%	4 a Assoc. Elect. £1	78/6	74/6	3 15 2	
							135/-	88/9	15 b	%	5 a Assoc. Port. Cem. £1	102/6	100/-	4 0 0	
							111/6	67/-	15 b	%	7 1/2 a Bowater Paper £1	101/-	98/9	3 12 11m	
							56/3	45/9	2 1/2 a	%	7 1/2 b B.I.C.C. £1	47/-	46/-	4 6 11	
							58/3	35/6	8 b	%	4 a Brit. Aluminium £1	48 1 1/2	47/6	5 1 1	
							61/3	47 10 1/2	15 1/2 c	%	10 1/2 a Brit. Amer. Tob. 10/-	54/-	54/-	4 16 8	
							56 1/4	55 1/2	3 b	%	3 a Canadian Pacific £25	556	557 1/2	4 15 8	
							48/9	31 4 1/2	41 1/2 b	%	14 1/2 a Decca Record 4/-	37/6	37/6	4 0 0r	
							33 4 1/2	23 7 1/2	10 b	%	4 a Dunlop Rubber 10/-	27/-	25/-	5 12 0	
							87/3	54 1 1/2	8 1/2 b	%	4 a English Elect. £1	61/6	59/6	4 4 0	
							51/3	44 1/2	4 1/2 a	%	9 1/2 b General Elect. £1	61/6	60/3	4 13 8	
							61/6	38/3	6 b	%	4 a Imp. Chemical £1	48/9	48/-	4 3 4	
							65 10 1/2	57 7 1/2	12 1/2 b	%	8 1/2 a Imp. Tobacco £1	60/6	59/-	7 2 4	
							157 1/2	105 1/2	\$2.90c	%	75c Inter. Nickel n.p.v.	\$133 1/2	\$144 1/2	4 12 8	
							77/-	57/3	10 b	%	7 1/2 a London Brick £1	60/-	61/3	5 14 6	
							38/6	24 10 1/2	15 1/2 b	%	6 1/2 a Monsanto Chemicals 5/-	27/6	25/9	4 7 5	
							81/3	60/3	3 1/2 a	%	14 1/2 b Tate & Lyle £1	68 1 1/2	66 10 1/2	4 16 3 1/2	
							66/-	47/6	10 a	%	12 1/2 b Tube Investments £1	57 6 1/2	57/6	4 17 5m	
							118/6	94 1 1/2	17 1/2 b	%	5 a Turner & Newall £1	101 3/4	100/-	4 10 0	
							100/6	69/3	6 a	%	9 1/2 b Unilever £1	90 7 1/2	88 1 1/2	3 11 6	
							44 1 1/2	33 7 1/2	7 1/2 b	%	5 1/2 a United Molasses 10/-	37 7 1/2*	36/6	6 1 1 1/2	
							49/9	34/-	21 1/2 b	%	2 1/2 a Cons. Tea & Lands £1	37/-	36/6	28 12 0	
							3 4 1/2	1 10 1/2	10 c	%	15 c London Asiatic Rbr. 2/-	2 7 1/2	2 5 1/2	12 6 2	
							63/6	38/9	27 1/2 c	%	15 a United Sna Betong £1	55/-	50/-	11 0 0	
							9 1/2	7 1/2	50 b	%	20 a Anglo-Amer. 10/-	8 1/2	8 1/2	4 3 0	
							143/3	106 10 1/2	120 b	%	80 a De Beers 5/- Bearer	122/6	126/3	7 18 5	
							126/3	66 1/6	...	%	Free State Geduld 5/-	72/6	70 7 1/2	Nil	
							70/9	44/-	10 b	%	10 a Randfontein £1	48/9	46/3	8 13 0	
							10/3	6 8 1/2	24 c	%	28 c London Tin 4/-	9 0 1/2	9/3	12 2 2	
							49 1/2	31 1/2	50 a	%	212 1/2 b Rhokana £1	391*	391*	6 12 11	

Statistics

The following list shows the most recent date on which each statistical page appeared.			
BRITISH		OVERSEAS	
Prices and Wages.....	Nov. 5th	Western Europe	Nov. 5th
Production and Consumption	This week	Production and Trade.....	This week
Manpower.....	Oct. 22nd	British Commonwealth	Oct. 22nd
External Trade.....	Oct. 29th	Western Europe	Oct. 22nd
Financial Statistics	This week	Prices and Money Supply	Oct. 22nd
Industrial Profits	Oct. 15th	United States	Oct. 29th
World Trade.....		Oct. 15th	

UK Production and Consumption

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

	Unit	Monthly averages			1954			1955				
		1952	1953	1954	July	August	Sept.	June	July	August	Sept.	
INDUSTRIAL PRODUCTION												
Index :	1948=100	114	121	129	117	113	133	136	121	117	138-139*	
All industries.....	"	109	109	110	89	93	110	105	85	89	...	
Mining and quarrying.....	"	103	110	111	111	111	116	111 ^s	...	...	...	
Building and contracting.....	"	127	132	142	118	119	132	131 ^s	119	121	...	
Gas, electricity and water.....	"	...	...	...	...	...	...	...	...	...	...	
Manufacturing, total.....	"	115	123	133	120	115	138	143	126	121	...	
Engineering, shipbuilding, electrical goods	"	127	129	140	123	116	145	156	...	...	...	
Vehicles.....	"	124	138	155	149	127	163	180	158	...	...	
Chemical trades.....	"	132	151	166	158	155	171	172	...	...	...	
Textiles and clothing.....	"	99	114	116	103	98	123	114	103	...	...	
Food, drink and tobacco.....	"	108	114	116	112	113	114	126	108	...	...	
BASIC MATERIALS												
Production of :												
Coal (1)(²).....	W '000 tons	4,332	4,300	4,298	3,522	3,637	4,315	4,175	3,409	3,552	4,375	
Pig-iron.....	W "	202	215	229	211	227	223	217	231	236	246	
Steel, ingots and castings.....	W "	310	339	356	263	326	372	364	308	345	398	
Sulphuric acid.....	M "	125.5	156.3	170.2	161.3	162.9	165.5	170.6	165.0	153.4	...	
Newsprint.....	W "	10.32	11.60	11.77	8.68	10.04	12.06	11.95	7.18	10.79	...	
Electricity (1).....	M mn. kwh	5,166	5,459	6,075	4,972	5,028	5,617	5,636	5,115	5,307	5,988	
MANUFACTURING												
Textile production :												
Cotton yarn, single.....	W mn. lb.	14.82	17.97	19.17	17.10	16.43	19.80	14.92	14.01	14.22	16.37	
Worsted yarn.....	M "	14.84	18.40	18.80	18.29	14.26	20.31	19.05	16.63	14.42	...	
Rayon and synthetic fibres total.....	M "	23.59	34.94	37.30	38.05	35.34	37.94	39.86	36.71	35.41	41.18	
Rayon and synthetic fibres staple fibre.....	M "	10.59	16.85	19.00	20.81	18.53	19.69	19.59	18.77	16.68	21.53	
Cotton cloth, woven.....	W mn. yds.	32.5	35.2	38.3	24.7	38.6	38.8	33.8	20.4	31.7	31.03	
Wool fabrics, woven.....	M mn. sq yds	31.5	34.3	34.5	34.7	25.6	38.6	34.8	31.7	25.7	...	
Engineering production :												
Passenger cars and chassis.....	W '000s	8.62	11.44	14.79	15.66	9.81	14.54	17.19	13.51	13.97	18.32	
Commercial vehicles and chassis.....	W "	4.65	4.61	5.17	4.93	3.34	5.61	6.32	5.27	5.60	7.22	
Metal-working machine tools.....	M '000 tons	12.58	12.63	11.39	10.63	9.60	11.99	12.80	11.81	...	...	
Internal combustion engines.....	M '000 BHP	331	311	356	306	313	329	429	408	328	...	
BUILDING ACTIVITY												
Permanent houses completed : (1)												
Total.....	M '000s	19.99	26.56	28.97	30.16	26.84	31.41	27.19	25.59	23.92	27.98	
For private owners.....	M "	2.86	5.24	7.55	8.08	7.64	9.01	9.89	9.43	9.84	11.01	
For local housing authorities.....	M "	16.11	19.91	19.58	20.16	17.41	20.37	16.50	15.09	13.35	15.89	
Other.....	M "	1.03	1.41	1.83	1.92	1.80	2.04	0.80	1.07	0.73	1.08	
WHOLESALE SALES (1)												
Textile houses :	Av. value											
Total home sales.....	1950=100	90	95	95	67	82	135	79	71	82	132	
Women's and children's wear.....	"	90	96	96	65	89	139	75	70	87	134	
Men's and boys' wear.....	"	82	91	90	66	68	132	79	76	70	127	
Piece-goods.....	"	68	66	63	52	56	77	47	49	59	75	
RETAIL SALES (1)												
Large retailers :	Weekly											
All merchandise.....	av. value											
Clothing and footwear.....	1950=100	117	124	132	133	123	129	138	144	125	...	
Household goods.....	"	110	113	125	130	107	118	138	150	101	...	
Household goods.....	"	102	110	125	132	115	134	118	134	113	...	
Independent retailers : (2)												
Clothing and footwear.....	"	95	94	97	107	82	92	99	121	82	...	
Household goods.....	"	109	120	132	130	128	138	118	137	125	...	
STOCKS												
Basic materials :												
Coal, distributed (1).....	'000 tons	15,801	17,626	15,682	15,218	14,953	16,230	13,206	14,282	15,096	17,718	
Steel.....	"	817	1,112	899	1,159	1,214	1,144	946	1,086	1,294	...	
Copper (2).....	"	131.9	55.3	61.5	67.3	77.4	72.2	64.3	99.7	107.2	...	
Sulphur.....	"	211.8	66.8	67.2	79.9	111.6	97.8	82.0	75.5	92.0	...	
Newsprint.....	"	189.7	110.6	97.5	101.1	100.1	97.1	117.7	110.8	108.5	...	
Textiles :	Av. value											
Wholesale houses, total (1).....	1950=100	74	89	95	117	120	119	104	110	115	110	
Large retailers, clothing and footwear (1).....	"	92	102	107	108	113	118	124	109	116	...	

(1) Great Britain. (2) Provisional estimate. (3) 1954 figures exclude all screening losses normally amounting to around 5,000 tons a week. (4) Excluding government stocks from August, 1953. (5) Average for second quarter. (6) Revised index numbers for independent retailers based on a larger sample are available from January, 1955, onwards. Figures for June, July and August for clothing and footwear were 112, 128 and 90, and for household goods were 126, 145 and 130.

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	987	2,362	1,336	72	...	363	2,168	...	...	478
1953.....	1,534	1,033	2,998	2,335	889	19.3	1,079	5,457	558	286	1,112
1954.....	1,645	952	3,064	2,404	1,062	21.4	1,206	5,761	627	312	1,220
1955, March.....	1,641	1,034	3,304	2,778	1,269	23.0	1,315	6,635	699	322	1,334
" April.....	1,501	758	3,233	2,613	1,012	22.7	1,243	6,363	691	311	1,293
" May.....	1,706	848	3,175	2,653	1,273	22.2	1,396	6,640	706	345	1,414
" June.....	1,708	766	3,075	2,647	1,435	21.4	1,440	6,090	716	360	1,415
" July.....	1,776	664	...	2,634	1,642	...	...	5,903	...	389	1,460

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	106	89.6	338	994.7
1954.....	19.5	28.8	7.8	48.7	5.93	185	237	140	117	93.2	364	1,102.3
1955, May.....	20.3	31.4	5.4	49.8	5.33	190	338	143	143	87.1	383	1,220.5
" June.....	20.9	31.5	5.8	50.5	6.69	179	348	133	136	...	373	1,217.7
" July.....	22.3	30.6	8.5	56.0	6.10	196	322	...	129	...	...	1,251.2
" August.....	20.0	25.8	9.7	54.4	5.88	185	...	...	...	...	...	1,268.0
" September.....	...	...	7.8	56.2	...	...	...	...	...	...	...	1,246.9

EXTERNAL TRADE (3)

Monthly averages or calendar months	Australia		Canada		India		New Zealand		Pakistan		S. Africa	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
	mn. £A		mn. C\$		mn. rupees		mn. £NZ		mn. rupees		mn. £SA	
1938.....	10.6	11.8	56	71	...	...	4.62	4.76	...	...	7.97	2.71
1953.....	42.5	70.9	365	348	477	442	16.01	19.61	112.6	125.8	35.45	28.33
1954.....	56.6	67.9	341	329	528	486	20.45	20.33	92.8	107.2	36.94	26.48
1955, April.....	73.2	57.1	383	340	513	396	22.0	18.9	65.3	114.4	40.2	25.6
" May.....	78.9	67.1	434	373	511	444	25.4	26.5	62.0	95.8	...	...
" June.....	74.7	69.2	402	383	512	475	...	33.5	85.2	119.3	...	...
" July.....	61.4	61.2	373	357	516	519	...	...	83.4	105.1	...	...
" August.....	...	...	432	388	...	...	...	...	...	...	...	...

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	119	108	134	112	130	136
1954.....	1,133	1,955	1,782	174	416	180	120	104	141	110	133	137
1955, May.....	...	1,894	1,739	168	345	} 183.7 {	120	95	} 144.7 {	103	136	138
„ June.....	...	1,940	1,751	250 ⁵	338		119	97		103	136	138
„ July.....	...	1,948	1,753	257 ⁶	342		120	99		...	...	138
„ August.....	...	1,945	1,754	251	340		120	...		...	...	138
„ September.....	...	1,947	...	...	319	...	...	...	...	...	...	...

A sad case of over-heating

THE MONEY MARKET

THE first offer of the new 63-day bills at the tender on Friday last produced a surprising result. The market lowered its bid for the £200 million of 91-day bills by 2d. per cent to £98 19s. 6d., raising the discount rate by $\frac{3}{8}$ per cent to $4\frac{3}{8}$ per cent. Yet for the £60 million of new two months' bills on offer it tendered on a discount basis of just over $4\frac{1}{2}$ per cent— $\frac{3}{8}$ per cent above the new rate on the longer maturities and $\frac{3}{8}$ per cent above the rate at which January maturities of last month's 91-day bills were currently being sold to the banks.

Total applications at the tender fell by £12 million to £369.7 million—of which £69.5 million was for the 63-day bills. The market secured 84 per cent of its application for the 63-day bills, and 46 per cent of that for 91-day bills; its average allotment came out at 55 per cent, compared with 52 per cent at the previous tender. The average rates of discount came out at £4 2s. 5.19d. per cent for the 63-day bills, £2 1s. 11.65d. for the 91-day and £4 2s. 0.93d. per cent for the aggregate allotment of £260 million. At yesterday's tender the offer of the two months' bill was cut by £10 million, to £50 million, but that of 91-day bills was stepped up by £20 million to £220 million. Lombard Street suffered two phases of acute stringency. On Thursday before the weekend three or four houses were obliged to take a small amount of loans at the penal rate, and again on Wednesday of this week.

Bank rate (from 31 st % 24/2/55)	%	Discount rates	% - %
Deposit rates (max)	4$\frac{1}{2}$	Bank bills: 60 days	4 $\frac{1}{8}$ - 4 $\frac{1}{4}$
Banks	4 $\frac{1}{2}$	3 months	4 $\frac{1}{8}$ - 4 $\frac{1}{4}$
Discount houses	2 $\frac{1}{2}$ *	4 months	4 $\frac{1}{8}$ - 4 $\frac{1}{4}$
		6 months	4 $\frac{1}{8}$ - 4 $\frac{1}{4}$
Money Day-to-day	2$\frac{3}{4}$ - 4	Fine trade bills:	
Short periods	2 $\frac{3}{4}$ - 3 $\frac{1}{2}$	3 months	5 - 5 $\frac{1}{2}$
Treas. bills 2 months	4$\frac{1}{2}$	4 months	5 - 5 $\frac{1}{2}$
3 months	4 $\frac{1}{2}$	6 months	5 $\frac{1}{2}$ - 6

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1954					
Nov. 6.....	3,450-0	1,483-1	272-3	...	5,205-4
1955					
Aug. 6.....	3,300-0	1,999-1	272-1	...	5,571-2
" 13.....	3,310-0	1,969-5	298-3	...	5,577-8
" 20.....	3,320-0	2,027-8	257-8	...	5,605-6
" 27.....	3,350-0	2,008-7	249-7	...	5,608-4
Sept. 3.....	3,380-0	1,998-5	265-0	...	5,543-5
" 10.....	3,420-0	2,023-3	249-9	...	5,693-3
" 17.....	3,450-0	2,036-2	251-0	...	5,737-2
" 24.....	3,480-0	2,000-0	263-4	...	5,743-4
" 30.....	5,498-3		258-4	...	5,758-7
Oct. 8.....	3,480-0	2,025-9	260-1	...	5,766-0
" 15.....	3,470-0	1,810-2	272-3	2-3	5,554-8
" 22.....	3,440-0	1,868-5	272-3	...	5,580-7
" 29.....	3,440-0	1,871-4	258-2	5-0	5,574-6
Nov. 5.....	3,450-0	1,834-1	255-8	0-3	5,538-1

	1954	1955	
	Nov. 10	Nov. 2	Nov. 9
<i>Issue Department :</i>			
Notes in circulation	1,674.7	1,770.3	1,772.2
Notes in banking dept.	27.7	30.1	8.1
Govt. debt and securities* ..	1,671.2	1,796.2	1,796.3
Other securities	0.8	0.8	0.8
Gold coin and bullion	0.4	0.4	0.4
Coin other than gold coin.	3.0	3.0	3.0
<i>Banking Department :</i>			
<i>Deposits :</i>			
Public accounts	14.2	14.6	15.7
Treasury special account.	6.3	2.6	3.1
Bankers	295.8	251.8	246.6
Others	64.6	66.3	65.6
Total	380.9	335.3	331.0
<i>Securities :</i>			
Government	346.5	268.5	261.8
Discounts and advances	7.6	35.3	39.7
Other	14.6	16.7	16.8
Total	368.7	320.5	318.3
Banking department reserve.	30.0	32.5	30.6
	$\frac{0}{100}$	$\frac{0}{100}$	$\frac{0}{100}$
" Proportion "	7.8	9.6	9.2

Date of Tender	Amount (£ million)			Average Rate of Allotment, d.		Allotted at Max. Rate %
	Offered	Applied For	Allotted			
1954						
Nov. 5	250.0	413.0	260.0	31	7.16	48
1955						
Aug. 5	240.0	350.8	240.0	80	0.42	56
" 12	240.0	350.4	240.0	80	1.13	58
" 19	270.0	380.1	270.0	80	1.28	62
" 26	280.0	388.4	280.0	80	1.10	61
Sept. 2	290.0	362.9	290.0	81	3.78	70
" 9	300.0	381.1	290.0	81	4.67	64
" 16	290.0	344.8	280.0	81	5.52	80
" 23	280.0	369.7	280.0	81	5.14	69
" 30	280.0	359.4	280.0	81	5.33	70
Oct. 7	270.0	361.4	270.0	81	5.25	66
" 14	260.0	365.8	230.0	81	4.99	51
" 21	240.0	372.6	240.0	81	4.94	51
" 28	250.0	381.7	250.0	81	4.98	52
Nov. 4	260.0	369.7	260.0	82	0.93	55
Of which :						
63 day . . .	60.0	69.5	60.0	82	5.19	84
91 day . . .	200.0	300.2	200.0	81	11.65	46

* On Nov. 4th tenders for 91 day bills at £98 19s. 6d. secured 46 per cent, and for 63 day bills at £99 5s. 9d. 84 per cent. The higher tenders being allotted in full. Yesterday's offering of £270 million included £50 million at 63 days.

	Official Rates	Market Rates : Spot							
	November 9	November 3	November 4	November 5	November 7	November 8	November 9	November 9	
United States \$...	2-78-2-82	2-80 1/2-2-80 3/4	2-80 1/2-2-80 3/4	2-80 1/2-2-80 3/4	2-80 1/2-2-80 3/4	2-80 1/2-2-80 3/4	2-80 1/2-2-80 3/4	2-80 1/2-2-80 3/4	
Canadian \$	...	2-79 1/2-2-79 3/4	2-79 1/2-2-79 3/4	2-79 1/2-2-79 3/4	2-79 1/2-2-79 3/4	2-79 1/2-2-79 3/4	2-79 1/2-2-79 3/4	2-79 1/2-2-79 3/4	
French Fr.	972-65-987-35	982 1/2-983	983 1/2-983 1/2	983 1/2-983 1/2	983 1/2-983 1/2	982 1/2-982 1/2	982 1/2-982 1/2	982 1/2-982 1/2	
Swiss Fr.	12-15 1/2-12-33 1/2	12-22 1/2-12-22 1/2	12-22 1/2-12-23 1/2	12-23 1/2-12-23 1/2	12-22 1/2-12-23 1/2	12-22 1/2-12-22 1/2	12-22 1/2-12-22 1/2	12-22 1/2-12-22 1/2	
Belgian Fr.	138-95	139-37 1/2	139-45	139-47 1/2	139-45	139-45	139-47 1/2	139-47 1/2	
Dutch Gld.	141-05	139-42 1/2	139-40	139-52 1/2	139-50	139-50	139-52 1/2	139-52 1/2	
W. Ger. D-Mk.	11-67 1/2-11-64 1/2	19-62 1/2-10-62 1/2	19-63 1/2-10-63 1/2	10-63 1/2-10-63 1/2	10-62 1/2-10-62 1/2	10-61 1/2-10-62 1/2	10-61 1/2-10-62 1/2	10-61 1/2-10-62 1/2	
Portuguese Esc.	79-90-81-10	11-73 1/2-11-73 1/2	11-73 1/2-11-74 1/2	11-73 1/2-11-74 1/2	11-73 1/2-11-74 1/2	11-73 1/2-11-73 1/2	11-73 1/2-11-73 1/2	11-73 1/2-11-73 1/2	
Italian Lire	1736 1/2-1762 1/2	80-00-80-10	80-00-80-10	80-00-80-10	80-00-80-10	80-00-80-10	80-00-80-10	80-00-80-10	
Swedish Kr.	14-37 1/2-14-59 1/2	1755-1756	1755-1756	1755-1756	1755-1756	1755-1756	1755-1756	1755-1756	
Danish Kr.	19-19 1/2-19-48 1/2	14-48 1/2-14-48 1/2	14-48 1/2-14-48 1/2	14-48 1/2-14-48 1/2	14-48 1/2-14-48 1/2	14-48 1/2-14-48 1/2	14-48 1/2-14-48 1/2	14-48 1/2-14-48 1/2	
Norwegian Kr.	19-19 1/2-19-48 1/2	19-32 1/2-19-32 1/2	19-32 1/2-19-33 1/2	19-32 1/2-19-33 1/2	19-32 1/2-19-33 1/2	19-32 1/2-19-33 1/2	19-32 1/2-19-33 1/2	19-32 1/2-19-33 1/2	
	19-85-20-15	20-00 1/2-20-00 1/2	20-00 1/2-20-00 1/2	20-00 1/2-20-00 1/2	20-00 1/2-20-00 1/2	20-00 1/2-20-00 1/2	20-00 1/2-20-00 1/2	20-00 1/2-20-00 1/2	
One Month Forward Rates									
United States \$	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	
Canadian \$	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	
French Fr.	1 pm-1 dis	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	
Swiss Fr.	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	
Belgian Fr.	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	1 1/2-c. pm	
Dutch Gld.	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	2 1/2-2c. pm	
W. Ger. D-Mk.	21-1 1/2pt. pm	21-1 1/2pt. pm	21-1 1/2pt. pm	21-1 1/2pt. pm	21-1 1/2pt. pm	21-1 1/2pt. pm	21-1 1/2pt. pm	21-1 1/2pt. pm	
Italian Lire	5 pm-par	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	
Swedish Kr.	10 pm-par	20 pm-par	20 pm-par	20 pm-par	20 pm-par	20 pm-par	20 pm-par	20 pm-par	
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	10 pm-10 dis	
Norwegian 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	10 pm-10 dis	
Gold Price at Fixing									
Price (s. d. per fine oz.)	249/8 1/2	249/8	...	249/8 1/2	249/8	249/8	249/8	249/8	

A sad case of over-heating

A detailed black and white illustration of a large, horizontal metal pipe that has failed due to overheating. The pipe is heavily deformed, with a large, jagged crack running along its length. It is surrounded by debris, including several rectangular blocks of material that appear to be broken pieces of the pipe or its supports. The background is a simple, light-colored surface, possibly a ground or a wall, with a dark, triangular shape in the upper left corner. The overall tone is somber and emphasizes the severity of the failure.

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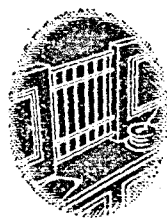
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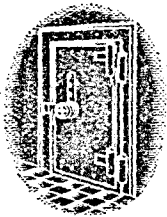
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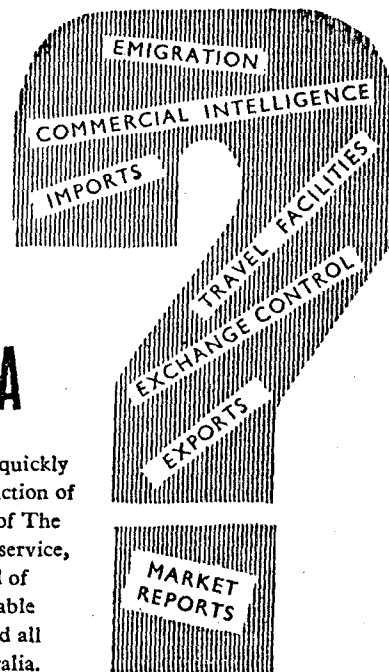
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COMPANY MEETINGS

FISONS LIMITED

SALES TARGETS ACHIEVED

PROFITS AFFECTED BY RISING COSTS

MR F. G. C. FISON ON THE AGRICULTURAL
POSITION

The sixty-second Annual General Meeting of Fisons Limited will be held on December 2nd at Harvest House, Felixstowe, Suffolk.

The following is the review of the Chairman, Mr F. G. C. Fison, which has been circulated with the Report and Accounts for the year to June 30, 1955:

THE ACCOUNTS

Sales for the year, including for the first time those of Fisons Pest Control Limited, were £32 million compared with £28 million in the previous year. The figure for 1954 included our trading in grain and certain factored goods, amounting to £700,000, which has been discontinued. The Group Trading Profit, including dividends from our Associated Companies and after deducting interest charges, was £2,656,276 compared with £2,956,476. An important reason for this reduced profit has been the lower margins on fertilizers.

I referred in my statement last year to the fact that large increases in costs in the current year had occurred and that, consequently, we had been obliged to increase our fertilizer prices. I said, *inter alia*, "These increases by no means absorb the whole of the increased costs, and we have again relied on achieving some increase in turnover to maintain the level of profitability. Whether in view of the difficult harvest and the uncertainty attending decontrol our sales target will be achieved is a matter on which I could not yet make any confident forecast." In fact the sales targets were achieved, but a continuous rise in cost in virtually all items entering into fertilizer manufacture prevented us from maintaining our profits.

SHOWING FARMERS' DIFFICULTIES

It is true that price increases were made during the course of the year, but it was the view of the Board that the Company should share to some extent the difficulties which the farming community was experiencing at the time. As I mentioned last year in the passage from which I have quoted above, there were considerable difficulties due to the weather and to the Government's new agricultural policy and, undoubtedly, there was serious concern amongst the farming community. In the Spring the Government took some very necessary action to revive confidence, but it was then too late for us to recoup the profit which we had voluntarily sacrificed. Whether our restraint and desire to share the difficulties of the farmer were appreciated I cannot say, but it was the view of the Board that it was our duty to give some assistance.

There has been considerable discussion recently concerning the advisability of publishing half-yearly or quarterly statements, but

in a business such as ours, of which such a large proportion is seasonal, a half-yearly statement would be completely misleading, and we do not, therefore, propose to publish such statements.

RAW MATERIALS

I have referred to a continuous rise in cost during the year under review, and this affected all our materials. To a minor extent this was the result of price increases made by the producers of raw materials, i.e., phosphate rock, potash and sulphate of ammonia, but the larger part of the increase resulted from the very rapid rise in freight rates, particularly in the second half of the year. Inflationary conditions in the majority of countries and a very large increase in fertilizer usage in Europe, have resulted in the present year in even greater increases in costs, while freight rates for a variety of causes have continued their very steep upward trend. I do not think that it is generally appreciated how large a part freight rates in fact play in our economy. It may be of interest if I say that in the present year, disregarding a quite exceptional increase in the price of sulphate of ammonia, 60 per cent of the increase in the raw material bill is accounted for by increases in freight, principally on phosphate rock.

TENSION IN MOROCCO

It is, I suppose, widely known that the major part of our supplies of phosphate rock come from French Morocco, and in view of the very serious political situation in that country I may be expected to make some comment on the outlook. It was reported in the Press that very substantial damage had been done to the installations at one of the mines on which we largely depend, and we despatched a member of our staff to Morocco to report on conditions. I am glad to say that the management of the phosphate mines has shown the utmost energy in dealing with a difficult situation and supplies of rock have at no time been held up. We have, during the past few months, suffered serious anxiety, however, in regard to rock supplies due to the inability to obtain sufficient shipping. It will undoubtedly be the wish of the majority of users to increase their stocks in view of the serious tension in Morocco, and I think that it is quite likely that the Moroccan mines will be unable to meet such a general demand as their production capacity was already stretched at the previous level of demand. Fortunately, such marginal supplies as may be required, unless there is further serious trouble in Morocco, are likely to be available from other sources.

I think it will be realised that the dependence of Europe on the Moroccan mines for phosphate rock is such that if there were any breakdown of supplies for more than a few weeks there would be a major crisis in the industry over a large part of the world.

The sources of phosphate rock are many and given time all demands could be supplied from other countries. It would not be possible, however, to develop the mines in America and elsewhere sufficiently to provide for the requirements of Europe in less than one or two years, and during that interval a very serious situation would undoubtedly prevail.

FERTILIZERS

United Kingdom fertilizer deliveries, in terms of plant nutrient, compare with the previous year as follows:

	1953-54	1954-55
	tons	tons
Nitrogen in terms of N ...	241,600	248,100
Phosphates in terms of P ₂ O ₅ ...	380,600	334,600
Potash in terms of K ₂ O ...	251,000	252,400
Total	873,200	835,100

It will be seen that there was an increase in nitrogen and potash and a decrease in phosphates. For our own part, we achieved a moderate increase in sales in terms of total plant nutrient.

I told you last year of our intention to employ all the available means of sales promotion in order to convince the farming community of the value to it of a higher level of fertilizer consumption. We have made considerable progress since then in establishing our Technical Sales Service, which is now in operation in the South West of England and in Scotland and has been accorded a most favourable reception by both farmers and merchants. We shall shortly extend this service to cover the whole country. In particular we intend to stress the importance of the better utilisation of the country's grassland.

IMPORTED FOODSTUFFS

The Chancellor of the Exchequer has recently drawn attention to the staggering bill for imported feeding stuffs, the tonnage of which rose from 4,750,000 tons in 1953/54 to 5,500,000 tons in 1954/55, and much of this came from dollar areas. If we assume an average price per ton of £35 the bill came to £166,250,000 in 1953/54 and to £192,500,000 in 1954/55. Imported feeding stuffs are fed to three main classes of livestock—cattle, particularly dairy cattle, pigs and poultry. In the case of pigs and poultry cereal grains, milling by-products and fish and meat meals are the main imports consumed. These types of feeding stuffs are low in fibre and high in energy value and cannot be replaced to more than a small extent by higher fibre crops, such as fodder crops, grass, hay or silage. Dairy cattle, however, require relatively more

protein and can utilise high fibre foods so that it is possible to replace concentrates by fodder crops or by grass in one form or another.

A greater degree of self-sufficiency in feeding stuffs for cattle should, therefore, be relatively easy. The estimated average utilised output of British grassland is 16.7 cwt per acre Starch Equivalent, whereas in Denmark it is 22.3 cwt per acre Starch Equivalent. It is true, of course, that examples of grassland production equal to the Danish figure can be found on many of the better grassland farms in this country. An increase, however, in grassland production of 50 per cent is not only technically possible, but should be attainable. It could be done by using more fertilisers and by better management.

SIR WILLIAM OGG'S STATEMENT

Sir William Ogg, the Director of Rothamsted Experimental Station, has stated that only about one-third of the temporary grass and less than one-fifth of the permanent pasture receive regular dressings of fertilizers and that there are considerable areas which receive next to nothing. If a 50 per cent increase in grassland production could be achieved it would mean an extra 8 cwt Starch Equivalent per acre, which would be sufficient to provide food for one gallon per day from our total population of cows and heifers in milk. This would represent a saving of about 1,700,000 tons of feeding stuffs, or approximately the amount by which our imports have increased during the past two years. Thus there would be a saving in foreign exchange amounting to £59,500,000.

I am glad to report a very marked increase in our horticultural trade, which has been expanding at a very satisfactory rate during the past few years.

Our fertilizer factories have all been working at full pressure throughout the year, and in particular our triple superphosphate factory at Immingham has achieved an output much higher than its rated capacity, which reflects great credit upon the Management and operating staff.

We have paid particular attention to Work Study and its application to production problems, and as a result productivity has shown a steady improvement.

FISONS PEST CONTROL LIMITED

Since my last review we have completed our reorganisation of this company and I think it is now as well managed and efficient in all departments as any of its competitors. We have also made considerable progress towards putting the business on a financially satisfactory basis and the downward trend in trading results has been arrested and we anticipate a progressive improvement in results. Chemical sales showed a very satisfactory increase, but we did not reap the full benefit of this in profit owing to the very difficult weather conditions in the early part of the year, which hampered our contracting operations very seriously. We are pursuing actively a policy of rationalisation and concentration on the contracting side, and closed down during the course of the year seven of our branches.

We are also attempting to limit our commitment in some of the extraneous activities in which the company was engaged at the time of acquisition. I would mention in this connection that we have segregated the aviation side of the business and formed a joint company with Airwork Limited, called Fison-Airwork Limited, to carry out aerial crop spraying and general helicopter contracting. The Chairman of Airwork Limited, Mr Miles

Wyatt, very kindly consented to become the first Chairman of Fison-Airwork Limited and this small but interesting enterprise appears now to be successfully launched. It may well be that we shall follow a similar course with certain other activities.

The pest control industry is young, expanding very rapidly indeed, and is highly competitive. It is only by the production of new compounds, the efforts of original research work, that real progress can be made. We have, therefore, during the year substantially enlarged our research and development facilities and I am hopeful that as time goes on we shall make available original contributions. Although it is not of great commercial significance, I would mention a radical innovation in spraying machines recently made by our Research Department, and which will render experimental herbicide work cheaper and more efficient than hitherto. The machine is likely to become a standard research tool in all major institutes concerned with this type of work.

NITROGEN

Although, through our Subsidiary Company Nitrogen Fertilisers Limited, we produce a small quantity of ammonia, our demands for the manufacture of compound fertilizers have increased very greatly in recent years and, in consequence, we are very large purchasers of ammonium sulphate. The terms on which we buy this material have not, in recent years, been satisfactory, allowing us insufficient margin for the services which we render in processing and distributing this material to the final consumer. We had also to take into account the fact that our requirements are still growing and that new ammonia capacity is obviously necessary in the country. We have, therefore, recently entered into a long-term contract with Shell Chemical Company Limited to purchase from them a large quantity of ammonia to be produced from a new plant at Shell Haven.

This ammonia will be processed by ourselves in a plant adjacent to their new ammonia plant and will then be distributed to our various works for incorporation in our fertilisers. The project involves a capital commitment on our part of the order of £4½ million, and is therefore the largest construction undertaking we have decided on since the Immingham triple superphosphate plant.

THE AGRICULTURAL SITUATION

Since our business is primarily concerned with agriculture, and to an even greater extent now that we have acquired Fisons Pest Control Limited, it has been my practice to comment on the agricultural situation in general. I have referred above to the conditions obtaining during the year under review, and which were partly responsible for the shortfall in profits which I have reported. It is very satisfactory, therefore, to note that there has been a remarkable improvement in the position during the present summer. Although the sowings were comparatively late, the unprecedented good weather resulted in grain harvests being well above average, while certain livestock products, which had suffered severe declines last autumn, have staged a remarkable recovery. How far the farmer will benefit from the excellent harvest depends, of course, to a large extent on Government policy and the movement of wages and other costs. I think that even if these circumstances are not as favourable as the weather, the out-turn for the farmer this year will be better than he has experienced for some time.

We are also, of course, interested in world agricultural conditions. In the first place the position of the farmer in this country is closely affected by conditions in the primary producing countries abroad, although the Government may in some cases act as a buffer. Secondly, we have extensive fertilizer and pest control interests abroad, particularly in Africa, and their fortunes of course are more directly dependent on conditions there. It cannot be, therefore, without some concern that we observe the failure to absorb certain large agricultural surpluses that have arisen. The incomes of agricultural producers, other than perhaps tobacco in Africa, appear to have passed their peak, at any rate for some time.

A MEANS OF REDUCING COSTS

This is already having some repercussions on trading in general, but so far the fertilizer and pest control industries have not suffered in the majority of countries. As I have mentioned so often in these reviews, fertilizers, and I must now add pest control chemicals, offer the most readily available means of cost reduction to the farmer, and he has shown himself increasingly aware of this. As, therefore, prices decline, the farmer is turning to fertilizers and pest control chemicals to reduce his costs and maintain his profit. I think this trend is likely to continue unless there is any sudden and major fall in farm incomes, in which case the mere inability to finance the purchases might set a limit to further progress.

In the past, however, it has not been unusual for the prices of primary commodities to fall below the cost of production. The intervention of Governments in agricultural policy is now such in all the principal producing countries that it is unlikely that this will happen again, but a policy of restriction of acreage, together with low supporting prices (or deficiency payments) is likely to be enforced. In the longer term, it is possible that pest control products will not suffer from weaker agricultural markets since their applications are so important in tropical countries for the prevention of pests virulent to both men, animals and plants.

MONOPOLIES COMMISSION

The Government recently announced its intention to submit to the Monopolies Commission various industries for examination, amongst which was the fertilizer industry. I do not think that it will be proper for me to make any detailed comment at this stage. I am hopeful that the Commission will recognise that insofar as our own activities are concerned at least, there are no restrictive practices of any importance, the industry is very progressive technically, and that profit margins are entirely reasonable. The last question is of course largely a matter of opinion, but I stated last year that our profits before tax were only approximately 10 per cent of turnover; in the year under review they were less. Overhead expenditure is continually increasing as is necessary in order that the industry may progress. The balance between a reasonably prosperous and very progressive industry and a poor backward industry is very fine, and depends on marginal amounts in the selling price. I do not think that the Commission or anyone else will fail to see where the real advantage to the farmer and the community lies.

I am hopeful that the report of the Commission, when finally published, will be favourable to us and our industry. In the meantime I can only say that the Board of the Company endeavours to conduct our affairs in the interests of all those whom it

serves, the shareholders, employees, the farmer, and the country as a whole.

NORTH EAST YORKSHIRE POTASH

I reported in 1952 that with the completion of our fourth bore in North East Yorkshire we had concluded our drilling programme and that the exploratory work carried out by Imperial Chemical Industries Limited and ourselves had proved the presence of extensive deposits of potassium salts at depths from between 3,500 feet to 4,500 feet. These deposits extended over an area of 24 square miles and were estimated to contain about 350 million tons of potassium chloride. The winning of this potash, however, presents difficult problems involving special deep mining techniques which our organisation was not qualified to control. Early this year Imperial Chemical Industries Limited announced that they had reluctantly decided not to proceed with the development of the Yorkshire potash deposits. We, for our part, decided to investigate the remaining possibility of separating the potash from brine by chemical means. We have now come to the conclusion that this chemical process is uneconomic and we are, therefore, abandoning our development work and have written off our expenditure amounting to £152,371.

The work that has been done in Yorkshire has proved the extent of the potash deposits and exposed the presence of a National asset which undoubtedly will be exploited in the years to come, and we are glad to have been able to make our contribution to this discovery.

FISONS CHEMICALS LIMITED

During the year we have completed the absorption of this Company into the Group, and it has now become a wholly owned subsidiary of Fisons Limited. The trading profit of the Group shows an improvement and we expect this to be maintained in the current year.

Last year, it will be remembered, I reported a substantial increase in profits from this side of our business, while pointing out some anxieties we had both in regard to milk products and pharmaceutical chemicals. During the year milk products were decontrolled by the Government and as a consequence of this and other factors we are now faced with considerable difficulties as regards our milk drying plant at Coleraine. The profit accruing from this has been considerably less than in previous years and the outlook is uncertain.

COMPETITION INTENSIFYING

Competition in pharmaceutical chemicals, the products of Whiffen & Sons Limited, has also been acute, largely from German sources, and is becoming more intensive. In spite of this, profit margins have been maintained in most cases, due to improved process efficiencies. There has been a considerable increase in the volume of exports. Whiffens have also secured increased sales, both at home and for export, in industrial chemicals. In particular, new derivatives of hydrazine, of which we are the only manufacturers in the United Kingdom, are becoming of increasing industrial importance, and plans are well advanced for expanding production.

Amongst new products which will be added to Whiffen's range I must mention ethylene diamine, for which a plant will shortly come on stream. This versatile chemical has previously been imported from Germany and the United States and is in demand as a raw material for fungicides, pharmaceuticals, surface coating agents, adhesives and other uses.

BENGER'S AND GENATOSAN

Benger's new product "Imferon," for the treatment of iron deficiency anemias, to which I referred last year, has lived up to its early promise and has been accepted by the Ministry of Health as a new drug of proved value freely prescribable under the National Health Service. The discovery has created world-wide interest, and in countries which are not readily accessible to us licence arrangements are being concluded.

Genatosan-Limited have achieved increased sales and profits, and in particular the sales of Sanatogen have broken all previous records.

Our Group export trading company, Fisons Chemicals (Export) Limited, had a most satisfactory year. As I have mentioned in the past, we have devoted considerable energy to the establishment and building up of an overseas organisation covering every major country in the world. As a result, we have seen great progress in turnover which is still continuing in spite of the intensive competition which I have referred to above. The organisation which we have created will become increasingly valuable as our range of products widens. I should mention, also, that Fisons Pest Control Limited, when we acquired that company, contributed a substantial export business which is being rapidly developed.

ASSOCIATED COMPANIES

In Canada we have maintained our share of the trade in the area in which we operate. There has been a general decline in farm incomes in the North American continent, with a consequent reduction in fertilizer usage. Our Associated Company has, however, achieved a small increase in profits.

In South Africa we have had a very satisfactory year with a substantial increase in sales. During the year another excellent maize crop has been harvested and a continued increase in fertilizer usage is expected.

In Rhodesia, sea freights on raw materials have been responsible for the continued high prices of fertilizers. Nevertheless, demand continues to grow and we have recorded a further increase in sales.

I reported in 1952 that we had formed a joint selling company in Rhodesia with African Explosives & Chemical Industries (Rhodesia) Limited to cover the sale and distribution of fertilizers in Southern and Northern Rhodesia and Nyasaland with the object of cheapening the distribution of fertilizers.

In view of the growth of fertilizer requirements in these areas necessitating extensions of manufacturing capacity at both factories, it has been mutually agreed between us that we shall resume independent marketing of our fertilizers with effect from April 1, 1956.

The Société Industrielle d'Acide Phosphorique et d'Engrais, a Tunisian company manufacturing triple superphosphate in which we have an interest, has made marked technical progress during the year and the factory is now operating at rated capacity. Considerable losses have been sustained during the development period and we have thought it prudent to write £75,000 off our investment in this company.

Murgatroyd's Salt and Chemical Company Limited and Fine Chemicals of Canada Limited have both traded at a profit. The United Sulphuric Acid Corporation Limited commenced production in the year under review.

RESEARCH

We continue to make substantial investments in research. In 1954 we spent on

research and development £213,000. In the year under review we have spent £362,000 and in 1956 we plan to spend more than £500,000. A considerable part of this expenditure must be regarded as an investment and while it results, at first, in a reduction of our annual profits, as has been the case this year, it must be remembered that the future profitability of our industry depends largely upon the achievements of our research workers, and so it is our intention to increase our research effort progressively in the years to come.

The building of the new Research Station at Levington in Suffolk is making good progress, and during the year another experimental farm has been acquired in the West Country. It is our policy to keep a proper balance between sound practical experience and laboratory science: neither must be exalted at the expense of the other. Farmers are rightly and naturally conservative, and new ideas developed in the laboratory need full confirmation in the field before they can be accepted.

DEMAND FOR TECHNOLOGISTS

The provision of the physical facilities for good research is now a costly but essential step in maintaining progress in the chemical industry. Equally necessary, and in some ways more difficult, is the building up of a scientific staff suited in kind and quality to the needs of the Company's business. It is now widely recognised that the demand for high-grade technologists, alike in industry, in the Government Services, and in the Colleges, exceeds the supply. There is no simple answer to this important problem, but we have thought it right to give substantial help in various ways to a number of Schools and Universities. We have, for example, recently provided funds for a Research Fellowship in Soil Science to be held at Nottingham University and administered by the School of Agriculture there. The encouragement of close contact between workers in the Universities and those facing the problems of industry is, we think, most helpful to both. If this country is to increase steadily the productivity of its industry, it is important, among other things, that more young people should be attracted to the study of science and engineering. This will occur only if our teachers are keen and able, and provided with the necessary tools.

In its many activities your Company makes demands on a wide range of scientific and technical skills, and a considerable effort is now being put into creating the conditions under which imaginative and effective research can take place. The organisation and management of scientific work on behalf of industry is, by comparison with management for production and sale, relatively new, and if we are not to be outpaced by our competitors abroad, it is necessary for us to apply now the techniques and principles which have already been proved right both here and in the USA.

STAFF

The welfare of all our employees in factory and office is something to which we pay great attention, believing as we do that good human relations are essential for the well-being of the individual and the company. It is interesting to note that this year, for the first time, our invested Pension Funds exceed £1 million.

I would like to express on behalf of my colleagues and myself our great appreciation of the services rendered to the Company by all those working for it, both at home and abroad.

ROOTES MOTORS LIMITED

EXPORTS INCREASED DESPITE INTENSE COMPETITION

INFLATION AND INDUSTRY'S FUTURE

The annual general meeting of Rootes Motors Limited will be held on December 2nd in London.

The products of the Rootes Group are Humber, Hillman and Sunbeam cars and Commer and Karrier Commercial Vehicles and Diesel Engines.

The following is an extract from the circulated statement of the Chairman, Sir William Rootes, KBE:

The Consolidated Accounts for the year ended July 31, 1955, show a Profit on Trading of £3,557,325.

The Consolidated Net Profit after taxation was £1,689,449:

It is recommended that a dividend of 8 per cent less Income Tax on the Ordinary and "A" Ordinary Share Capital of the company be paid. Our distribution policy continues to be conservative and we are confident that we are pursuing the right course in the interests of both our shareholders and those employed throughout the group.

Turning to the Consolidated Balance Sheet, it will be seen that Current Assets of £24,110,470 exceed the Current Liabilities of £13,053,367 by £11,057,103.

The year to July 31, 1955, was again one of record production. In spite of intensive competition our volume of exports increased. Improvements are constantly being made in our cars and commercial vehicles and better value for money is being offered to the public.

PROBLEM OF RISING COSTS

There has been a great amount of publicity recently regarding our industry, its competitive position and its future; this shows that there is considerable appreciation of its importance to this country and its economy. Our industry's position has already been dangerously weakened by inflation, but my own view is that—while I in no way underestimate the increasing competitive position—there is a good chance that we can maintain and I hope increase our overseas business. I must qualify this view, however, by saying that it is based on the hope that the Government's action at this juncture to halt inflation will be successful.

Your Directors in their determination to hold internal costs as far as it is in their power are continuing the policy of increasing volume and employing the most modern equipment and technique, at the same time giving every possible encouragement to greater productivity on the shop floor. Our suppliers co-operate with us and I know are doing all they can to hold costs; notwithstanding their efforts, however, the costs of materials and parts which we purchase rose seriously. As I stated to the shareholders of Humber, Limited, this to some extent was inevitable, arising from the various increases in the prices of imported materials and the effect of wage awards, not only in our industry but brought about by other external factors, such as increased costs of coal, steel, rail transport and electricity. Whilst Price adjustments have recently been made which barely cover the improvements incorporated, nevertheless during the year under review the prices of our products remained unaltered and, in consequence, the margin of profit was reduced.

EAST ASIATIC RUBBER ESTATES

The thirty-second annual general meeting of East Asiatic Rubber Estates, Limited, was held on November 9th, in London.

Mr H. T. Karsten, the chairman, presided and, in the course of his speech, said that the year's result showed an increase in the trading profit from £47,846 last year to £78,592 mainly brought about by the improvement in sales prices which had been just over 1s. 11d. per lb against 1s. 9½d. per lb. The cost of production was 1s. 2½d. per lb.

The crop of rubber harvested was 3,128,600 lbs, some 80,000 lbs more than the estimate. The estimated crop for this year, was three million lbs and the output for the first six months was just above the estimate.

After referring to the Board's replanting programme, the chairman continued: There has been a spectacular increase in the use of "a" kinds of rubber, especially in the USA, where the changeover to tubeless tyres has increased the demand. Almost all available supplies of both natural and synthetic rubber will be required, and at the moment there is no competition between the two kinds. With such a difference in price between natural and synthetic, it is obvious that consumers are seeking all the synthetic rubber they can get, and an increased use of synthetic both in the UK and other countries is expected. However, I am not unduly pessimistic about the long-term outlook. I hope and believe that the two industries will be able to supplement each other to the benefit of both.

The report was adopted and the dividend of 10 per cent for the year approved.

FOISTER, CLAY & WARD

The twenty-ninth annual general meeting of Foister, Clay & Ward, Limited, was held on November 10th, in London, Mr P. A. Clarke Vincent, FCA, chairman, presiding.

The following is an extract from his circulated statement:

The accounts for the year to June 30th last, show that after all charges, including depreciation £166,432 (1954, £145,398), there was a net profit for the year of £448,169 (1954, £502,293).

Your directors have decided to recommend a final dividend of 9 per cent, making 15 per cent for the year. These dividends for 1955 are on a capital increased over 1954 by a 25 per cent bonus issue a year ago, and so compare with an equivalent of 14 per cent for the previous year.

Trading conditions have been getting steadily more competitive, but despite this most departments continued to progress and the results of the year under review in these departments were satisfactory. We are very large manufacturers of full-fashioned nylon stockings which are distributed by one of our subsidiary companies, and for the last 10 years we have been one of the leaders in this field. For many years practically the whole of our output was exported and when, as a result of foreign competition and import restrictions, exports became more difficult and there remained an unsatisfied home demand, your directors decided to make LOR stockings and their outstanding qualities more generally known in the home market by advertising in the national Press, on television and by other means.

Trade in other departments has been and continues satisfactory.

The report and accounts were adopted

RANSOME AND MARLES BEARING

EXPANDING DEMAND

The thirty-ninth annual general meeting of Ransome and Marles Bearing Company, Limited, was held on November 3rd at Newark, Notts, Mr Edward W. Senior, CMG, chairman, presiding.

The following is an extract from his circulated statement for the year to June 30, 1955:

The past year has been another year of progress. The developing facilities have been fully employed in all our factories and the result has been a very satisfactory rise in the turnover of the group, which has enabled us to meet the increased demand of the Engineering Industry. The export trade has continued highly competitive, but as a result of an active selling policy it is encouraging to report that sales have increased in the past year.

Our subsidiary companies continue to operate successfully.

INCREASED TRADING PROFIT

The trading profit (before taxation) shown in the consolidated accounts amounts to £827,267; an increase of £72,670 on the previous year. After deducting taxation at £433,176, the net profit of the group is £394,091, of which £347,239 is transferred to the Appropriation Account of the Holding Company. The Directors recommend a final distribution of 7½ per cent, less tax, and a bonus of 2½ per cent, less tax. The Consolidated Balance Sheet shows a position of considerable strength.

The criticism has been levelled at industry that rises in profits and dividends, often accompanied by bonus shares, have been allowed to outstrip increases in wages; consequently it is felt that the following facts in relation to this Company are of interest.

Comparing the year ended June, 1951, with the present year: Trading profit increased by £155,811 (from £671,456 to £827,267); dividends increased from £235,000 to £300,000, i.e., £65,000, whilst the amount distributed in wages and salaries rose by more than ten times this amount, viz., £679,118. In the same period tax absorbed £2,169,547, whilst capital expenditure amounted to £2,223,047 largely provided by ploughing back profits. Unless companies can earn adequate profits, development becomes impossible.

RESEARCH AND DEVELOPMENT

Your Board firmly believes that re-equipment, development and research have a very strong claim on our resources in providing the most up-to-date facilities both for expansion, improved productivity and quality, and technical service. The energies of Management and of our Research and Development Departments are directed to the same ends with the object of improving the quality of our products.

The past year has shown a very marked upward swing in demand, both immediate and prospective; this applies in general, but is most marked in the requirements of the motor industry.

With the present demand for our products, there is every prospect that, not only the present factories, but the increased facilities as they become available, will be fully employed in the current year. If productivity keeps in step with wages there is every prospect of another satisfactory year.

The report and accounts were adopted.

THE CEMENTATION COMPANY LIMITED

LARGER PROFITS

MR A. R. NEELANDS' STATEMENT

The thirty-fifth annual general meeting of The Cementation Company Limited will be held at Grosvenor House, Park Lane, London, W., on December 6th.

The following is an extract from the Statement by the Chairman, Mr A. R. Neelands, circulated with the report and accounts:

The trading profits of the Group for the year ended March 31, 1955, at £632,140 are £30,541 greater than last year. Taxation is reduced by £30,528 to £371,755, mainly as a result of the cessation of the Excess Profits Levy and the net charge is further reduced by bringing in £62,000 from Taxation Equalisation Reserve.

We have decided to transfer to General Reserve the sum of £100,000 and to recommend a dividend on the Ordinary Shares of 12½ per cent, requiring £105,117 (after Income Tax), leaving to be carried forward to next year £108,850.

The financing of major contracts, particularly those where competition is international, is a considerable strain on the Group's liquid resources. During the year under review the Group expenditure on capital items has been of the order of £800,000.

WORLD-WIDE ACTIVITIES

The most important of our recent ventures has been the purchase of the controlling interest in Diamond Drillers Limited, now registered as "The Cementation Co. (New Zealand) Limited."

We are somewhat concerned about the present sterling shortage in Turkey but would like to say that during our years of contracting in that country contract terms have been honoured to the letter. Excellent progress has been maintained on the three Schemes at Armutcuk, Karadon and Catalagzi, thus we would expect to complete the first two shafts before March 31, 1956.

THE PERAK RIVER HYDRO-ELECTRIC POWER COMPANY

FURTHER SATISFACTORY PROGRESS

The twenty-ninth annual general meeting of The Perak River Hydro-Electric Power Company Limited was held on November 4th in London, Mr Hugh G. Balfour (the chairman) presiding.

The following is an extract from his circulated statement:

The Directors' Report and Accounts for the year ended July 31, 1955, show further satisfactory progress. The Power Stations generated 432.1 million units, as compared with 389.7 million units in the previous year, an increase of 11 per cent, and the peak load on the system was 67.4 mW., as compared with 64.0 mW. previously.

The Hydro-Electric Station at Chenderoh, owing to a lower average effective river flow, generated only 184.5 million units during the year, as compared with 204.4 million units in the previous year, but the Steam Stations generated 247.5 million units, compared with 185.3 million units last year, an increase of 33.3 per cent. The thermal efficiency increased from 18 per cent to 18.1 per cent at

We have again been responsible for a large proportion of the National Coal Board's shaft sinking and development programme. The Hem Heath Shaft was completed during the year and several other shafts are approaching completion. The Coal Board's plans, however, provide for a considerable volume of prospective work and we are maintaining our position in meeting competition in this activity upon which we have been engaged for nearly 50 years.

IMPORTANT CONTRACTS

Apart from a large volume of specialised cementation work in England we completed successfully two important contracts—one in India and one in South Africa—for the strengthening and raising of existing water storage dams by the stressing of cables anchored into the foundation rock.

Although competition abroad is increasing, we are maintaining our fair share of business. Work commenced on the military hospital in Cyprus and we completed the arrangements for the large rock sealing work at Dokan Dam—one of the largest operations of its kind in the world—where we are working in co-operation with Entreprises P. Bachy of France.

At home, the Lawers Hydro Electric Project in Scotland made very satisfactory progress. The contracts for the river channel deepening and barrage connected with the Erne Hydro Electric Scheme and the drainage of Lough Erne, are well ahead of schedule.

Our piling business has had a successful year. Two important foundation contracts were for buildings of public interest—Bucklersbury House in the City and the new Coventry Cathedral.

The Cementation Co. (Africa) (Pty.) Ltd. continues to grow in strength, both in so far as its mining works are concerned and also in specialised civil engineering.

As a result of some three years' work on site investigations for the Southern Rhodesia Irrigation Department, the Group has been awarded a £1½ million contract for preliminary works on the Kariba Scheme.

John Thom Limited have well maintained their turnover and position in the fields of

drilling. This Company has recently completed the deepest diamond core-drilled borehole in Great Britain, obtaining cylindrical samples of strata from surface to 4,604 feet.

The volume of sales, turnover and profit of Thermaconst Limited all showed a further steady increase. After much experimenting a successful method of producing a plaster-faced slab has been developed.

GEOPHYSICAL PROSPECTING

We have always regarded The Geophysical Prospecting Company as a long-term venture and I am very pleased to say that the Company has this year shown a marked improvement in profits.

It is also encouraging to note that The Geo-Technical Development Company Limited, which is concerned with mineral, including uranium, prospecting, had a record turnover in 1954 and 1955 and that there is every prospect of this being maintained.

In North Africa the Compagnie de Prospection Géophysique Nord Africaine made a small loss on its first nine months to March 31, 1955, but this has been balanced by a small profit in the first quarter of this year. It has good contracts in hand.

Quickset Water Sealers Ltd. continues to carry out many important waterproofing contracts in all parts of the country. Betonac Flooring Aggregate continues to be in demand by the building industry.

TRIBUTE TO STAFF AND EMPLOYEES

From the details I have given you regarding the world-wide activities of The Cementation Group of Companies you will appreciate the increase over recent years in the responsibilities and work of your Directors in their conduct of the Group's affairs.

To obtain the year's results everybody in the Company's employment has contributed in hard work, loyalty and intelligence. The Company's chief officers have travelled many thousands of miles. All have given of their best, and to all I wish to express my thanks and appreciation, from the humblest Junior to the highest Seniors, Managing Directors and Directors of Subsidiary Companies.

the Malim Nawar Station, and from 18.4 per cent to 18.7 per cent at the Batu Gajah Station.

Your Directors have given careful consideration to the question of providing new plant, as in planning this it is necessary to have regard to the future construction programme of the Central Electricity Board, particularly as regards the possible development of hydro-electric power in the Cameron Highlands. The situation in this respect is not yet quite clear, but, in view of the increasing load on our system, an order was placed during the year for a new 12 mW. turbo-alternator and ancillary 140,000 lb per hour boiler which is scheduled to go into operation at Malim Nawar during 1958. Further substantial capital commitments for new generating plant may require to be incurred during the next few years.

The Kinta Electrical Distribution Company, Limited, had a satisfactory year. While the trading profit at £59,367 showed an increase of £7,288 over the previous year, the dividend was reduced from 10 per cent to 5 per cent in order to conserve cash for extensions and development.

CAPITALISATION OF RESERVES

Your Directors propose the capitalisation of £437,500 of the reserves, and the issue to

the Ordinary Shareholders of one fully paid Ordinary Share of £1 for every four Ordinary Shares of £1 each held at close of business on November 15, 1955. The consent of HM Treasury to this issue has been obtained.

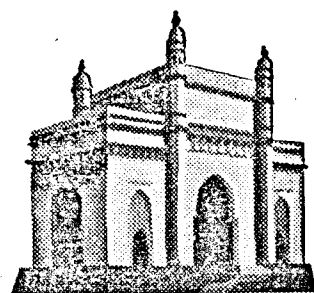
Turning to the Balance Sheet, Current Assets at £1,610,828 exceed Current Liabilities (including income tax provision for 1956-57) by £812,452, as compared with an excess figure last year of £312,157. This degree of liquidity is required in consequence of the order for new generating plant to which I have already referred.

The Revenue Account shows that our Gross Revenue, at £1,592,999, is £143,428 greater than last year; against this our expenditure in Malaya has increased by £62,193. The Directors recommend payment of a dividend on the Ordinary Share Capital of 10 per cent.

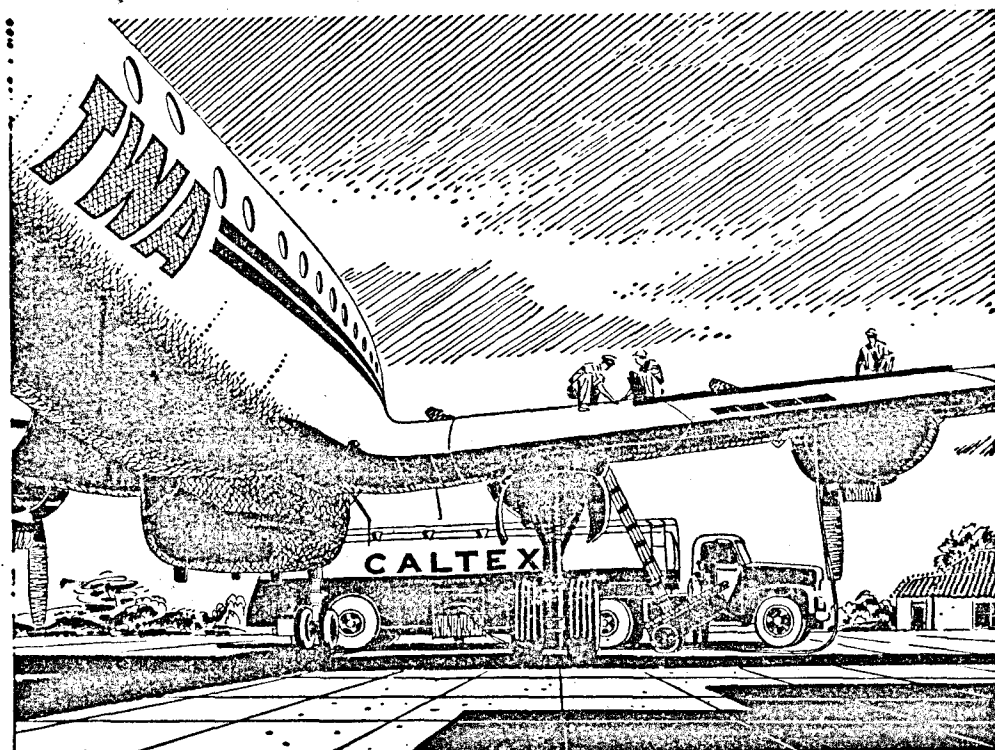
With regard to the current year, the returns to date are satisfactory, and unless circumstances change adversely, I think that the results should be at least comparable to those presented to you this year. In that event there should be no difficulty in maintaining the existing dividend on the increased Ordinary Share Capital.

The report was adopted and the Board's capitalisation and scrip issue proposals approved.

Published weekly by THE ECONOMIST
: Overseas 3d.—Saturday, November 12.



INDIA — At Bombay's Santa Cruz Airport, a Caltex crew refuels one of TWA's sleek Constellations, a unit of the world's largest fleet of Connies and Super Constellations. Travelers depend on TWA for speed, comfort and safety... just as TWA calls on Caltex for fuels, lubricants and service that assure dependable engine performance and lower maintenance costs.



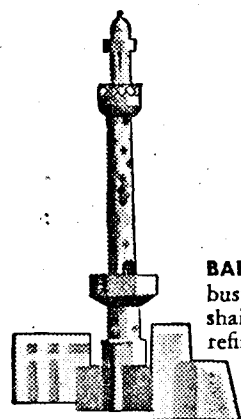
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In 67 lands, across half the world, through such developments as these, Caltex supplies better fuels and lubricants for industry, for agriculture and for motoring millions. These require a continual investment of funds and skills, backed by a faith in a better future for free nations.

Petroleum Products

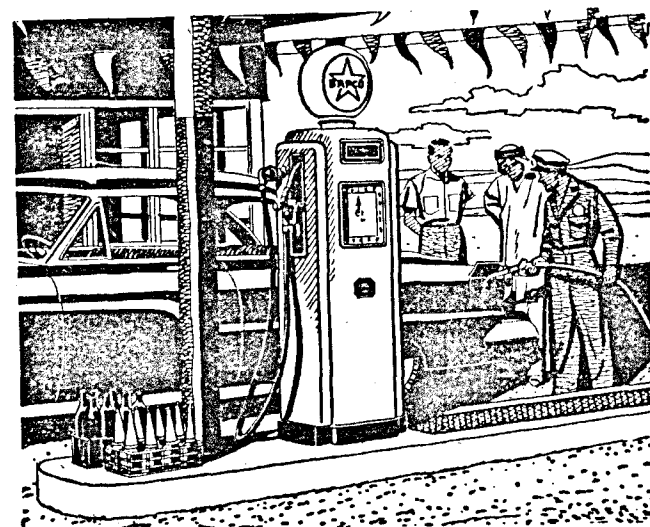
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BAHRAIN — This modern service station is a busy "qasir" in the colorful Persian Gulf shahdom of Bahrain. Nearby, the Bapco refinery brings employment to many Bahrainis, assures a brighter economic future, produces petroleum products for markets halfway 'round the world.



ENGLAND — Big Ben is a familiar landmark in the world's largest city. Well known also is the lorry of the Regent Oil Company, Ltd. This Caltex affiliate in the United Kingdom supplies fine petroleum products so essential to progress.



The Economist

FOUNDED 1843

NOVEMBER 26, 1955

ONE SHILLING

Fog Over Germany

Luddism on the Record

Masters of Their Fate?

Everybody's Servants

Adventure in Copper

Mr Ferguson and the Motor Industry

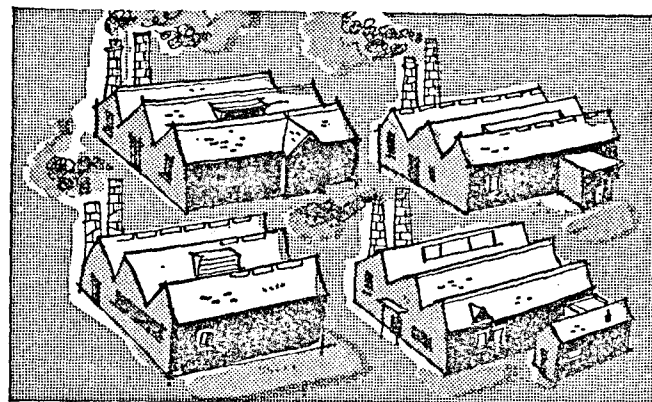
AMERICAN SURVEY: Geneva's Over
THE WORLD OVERSEAS: Double Jeopardy in Nepal
BOOKS: Now We Know

Annual Postal Subscriptions: by ordinary mail £3; by air see page 803

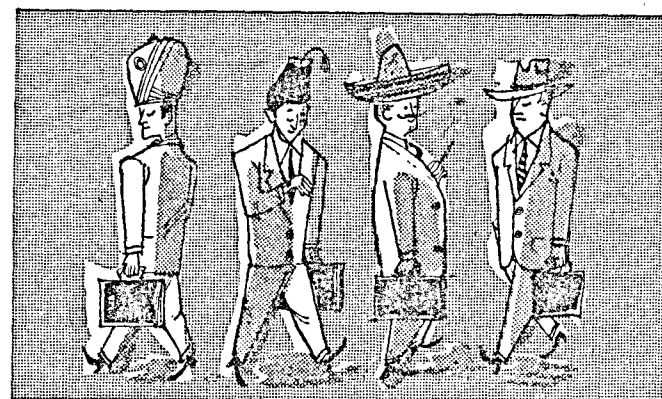
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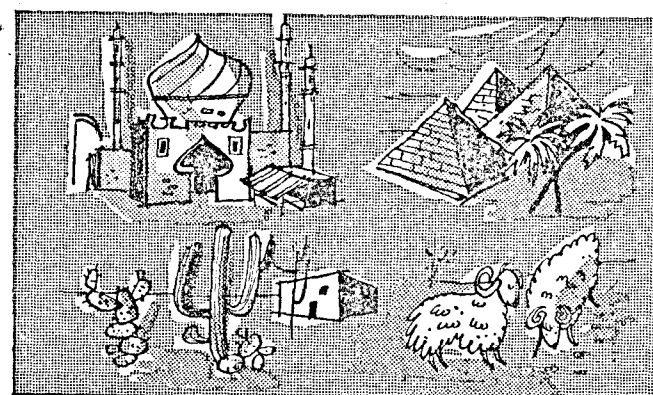
LIFE TALKS BUSINESS



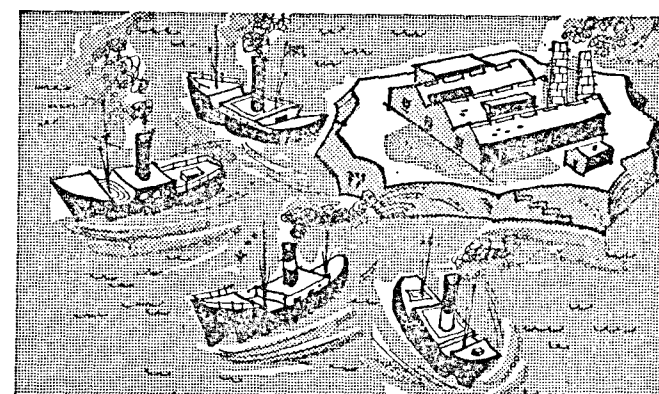
These four companies all make the same products, offer the same service



These four businessmen need the products those companies make



One lives in India, one in Egypt, one in South America, one in New Zealand



... yet all four bought the products of the same company ...

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they are read by the most successful and influential citizens—leaders of business, industry and government—the people who sanction orders and contracts, who want and can afford the best of the world's products for themselves and their families.

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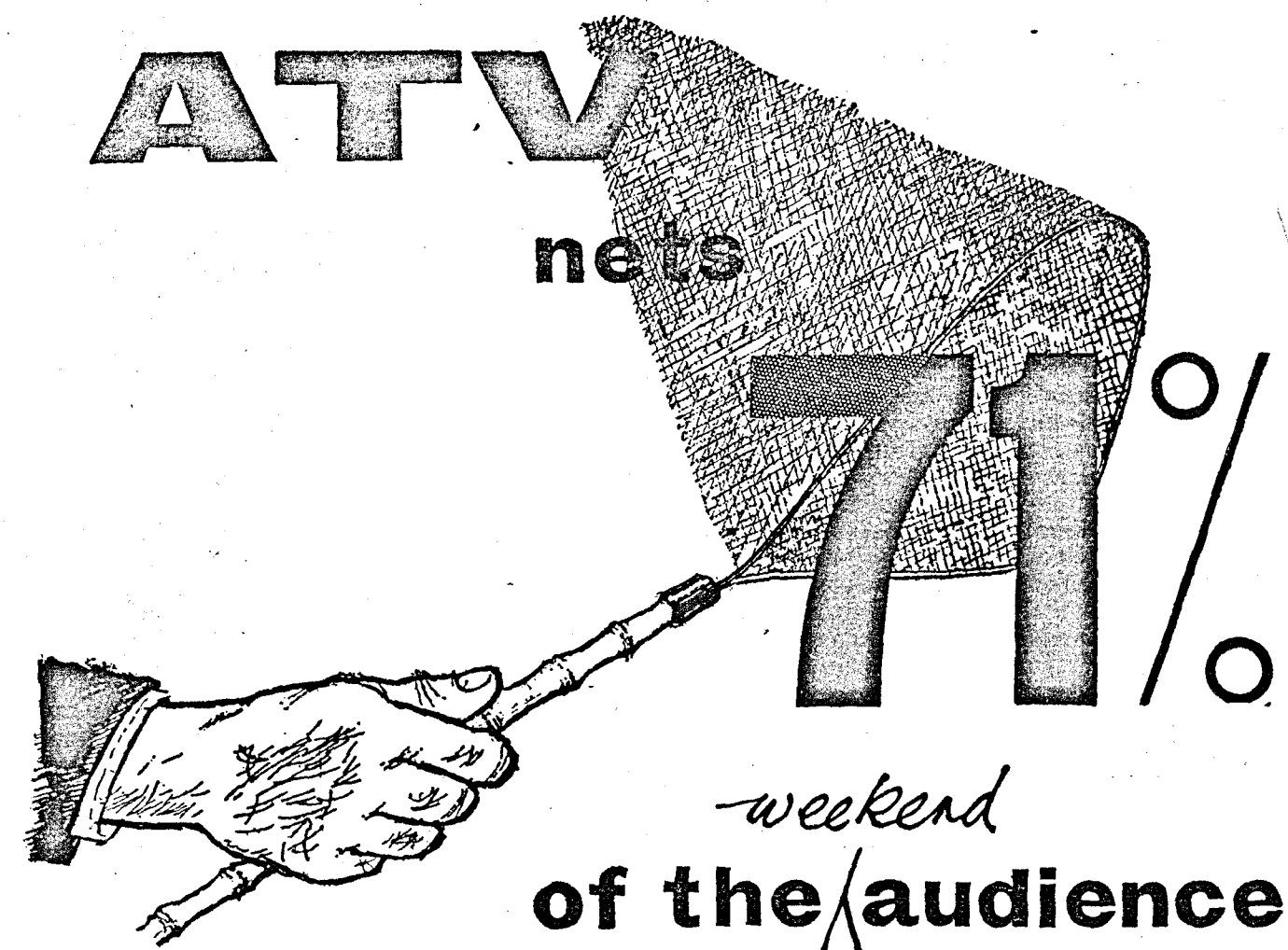
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THE UPWARD TREND OF COMMERCIAL TELEVISION (3)



ATV's Share of the Audience

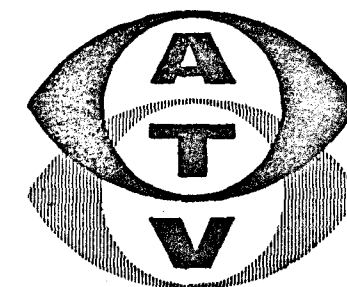
EVENING 'AA' 8—9.30 p.m. 76% EVENING 'A' 7—8: 9.30—11 p.m. 72% AFTERNOON 'B' 3—6 p.m. 48% SATURDAY Average 65%	EVENING 'AA' 8—9.30 p.m. 78% EVENING 'A' 7.30—8: 9.30—10.30 p.m. 76% AFTERNOON 'A' 2—6 p.m. 76% SUNDAY Average 77%
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Seven out of ten of those viewers who can choose their television programmes choose ATV at the weekend. This is, of course, an average figure. We collected all the available information from the leading research organisations for the period September 25th to October 30th, and took the mean. The result shows that ATV holds an average of 71% of the audience over the whole of the weekend viewing. The panels on the left give all the details. In the nine short weeks since com-

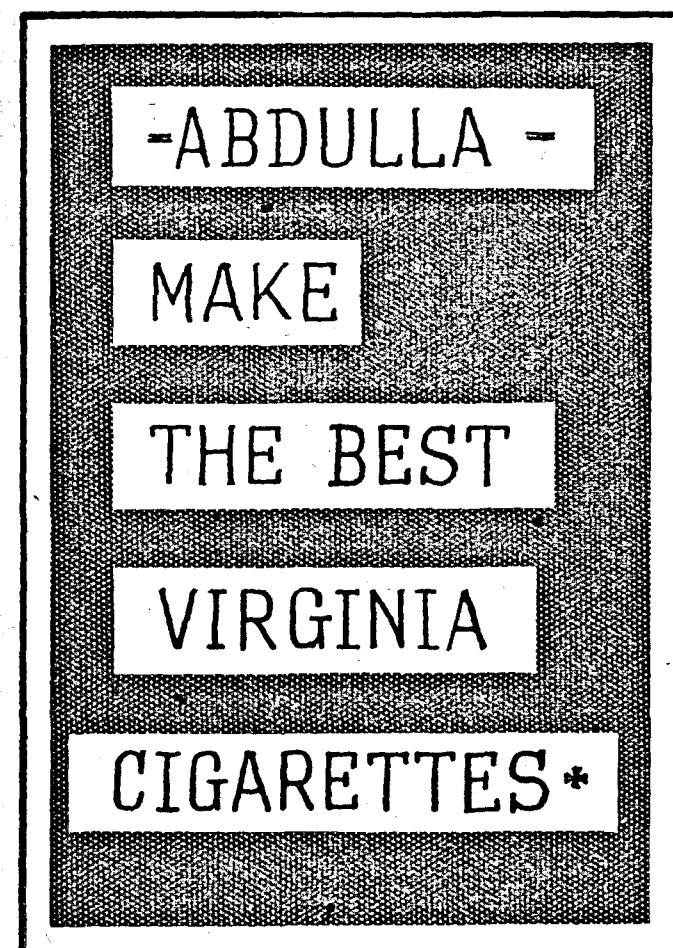
mercial television made its debut in this country ATV has built an astounding following. ATV has kept it. And ATV is still increasing it. The audience for commercial television is growing dramatically. Last month alone another 40,000 sets capable of receiving ATV programmes were sold. And thousands more were converted.

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From strength to strength with
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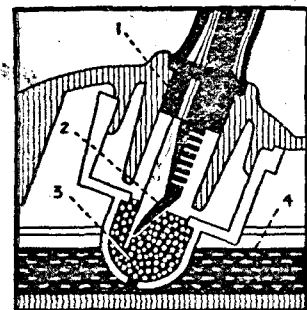
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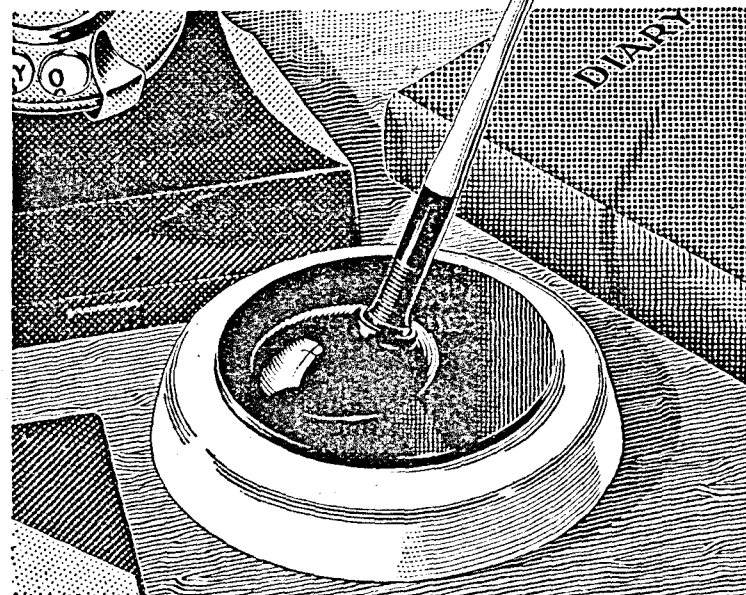
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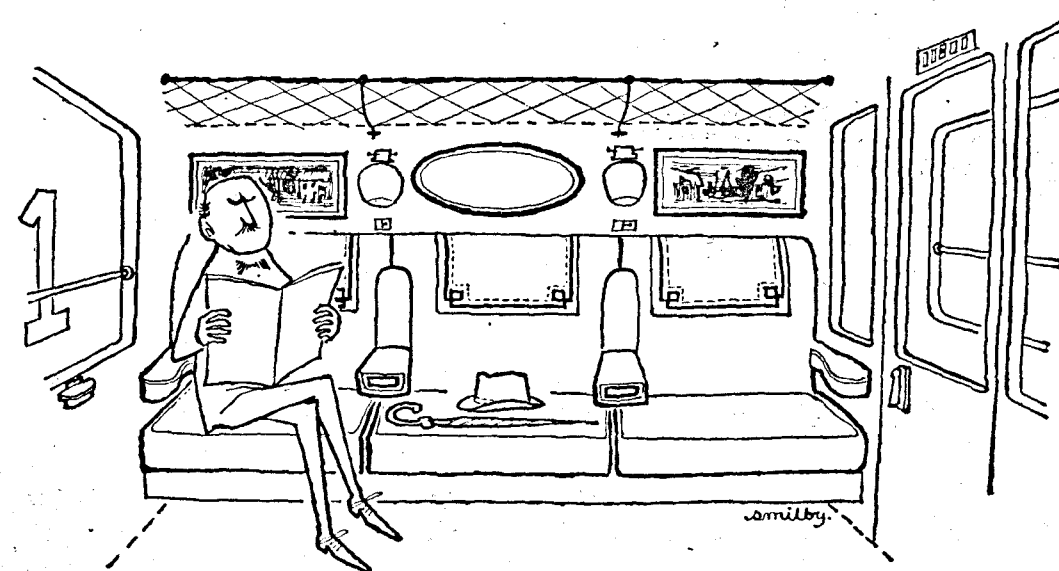
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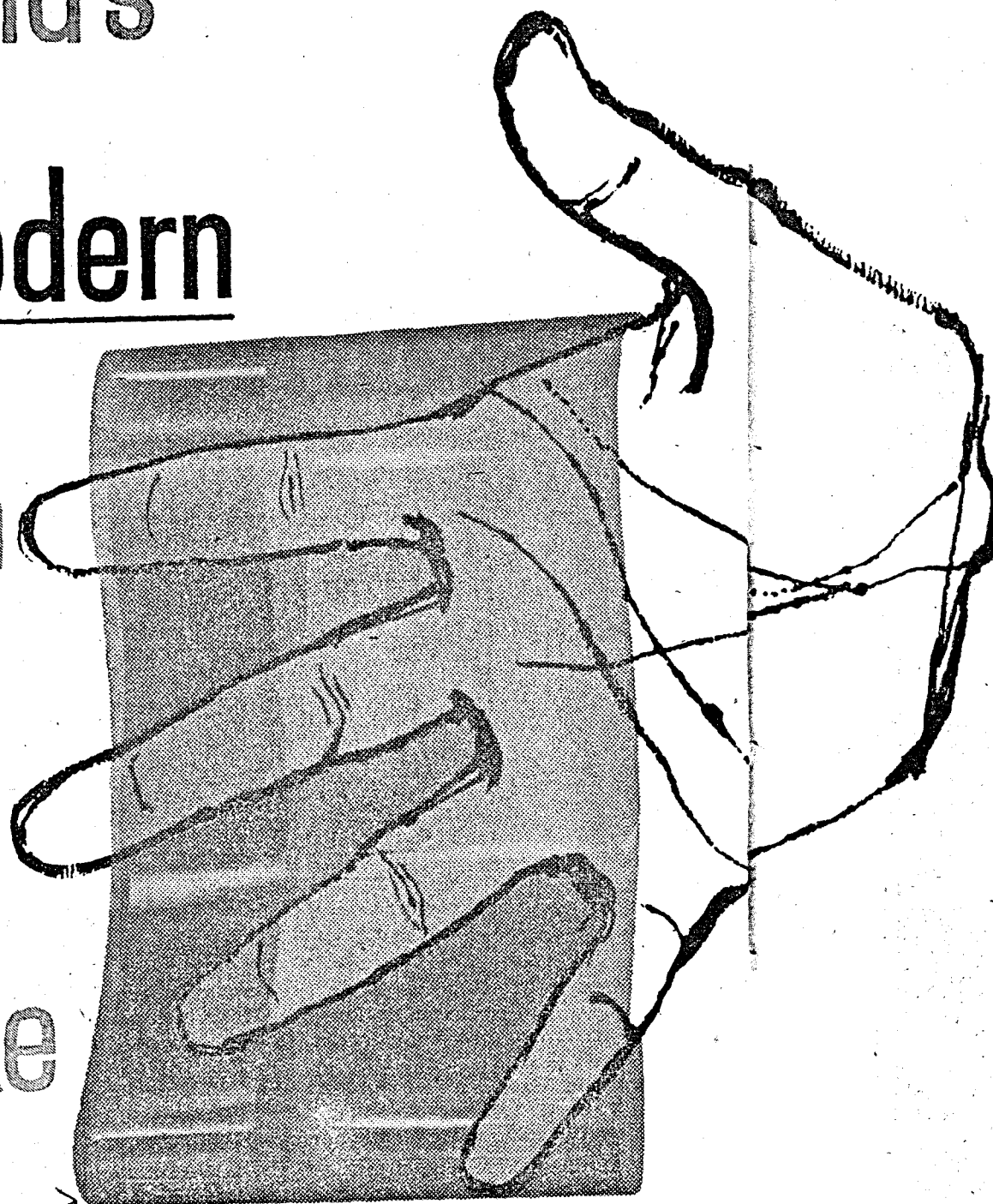
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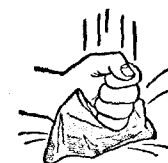
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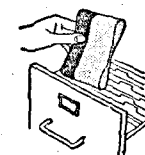
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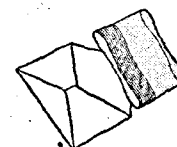
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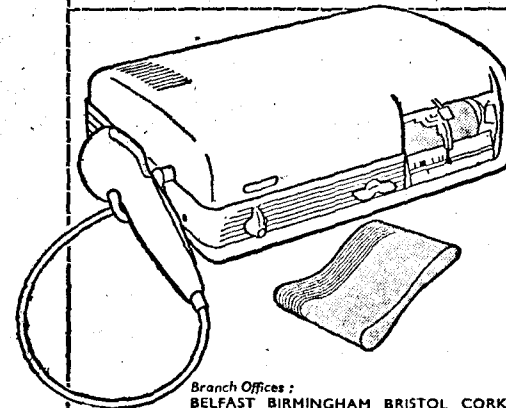
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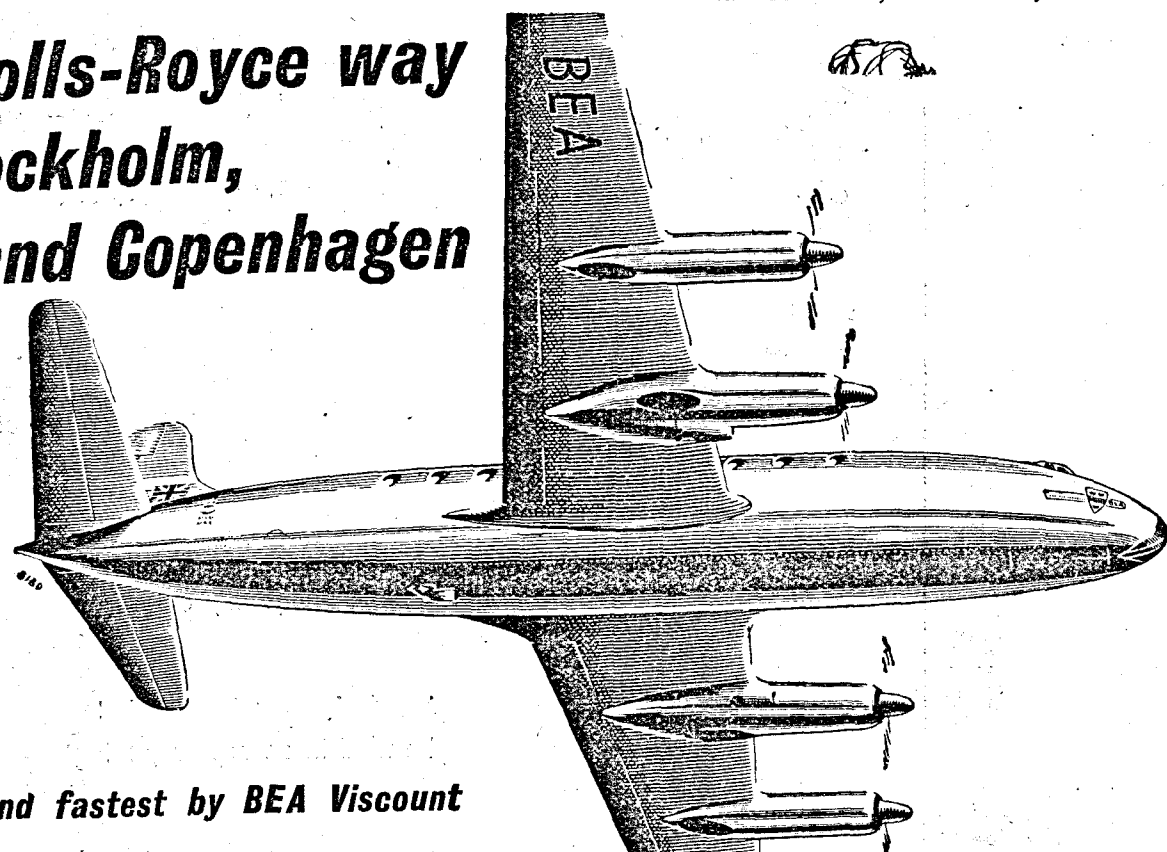
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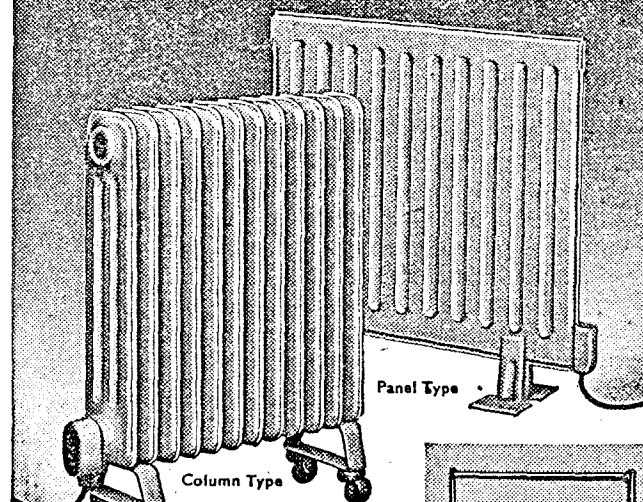
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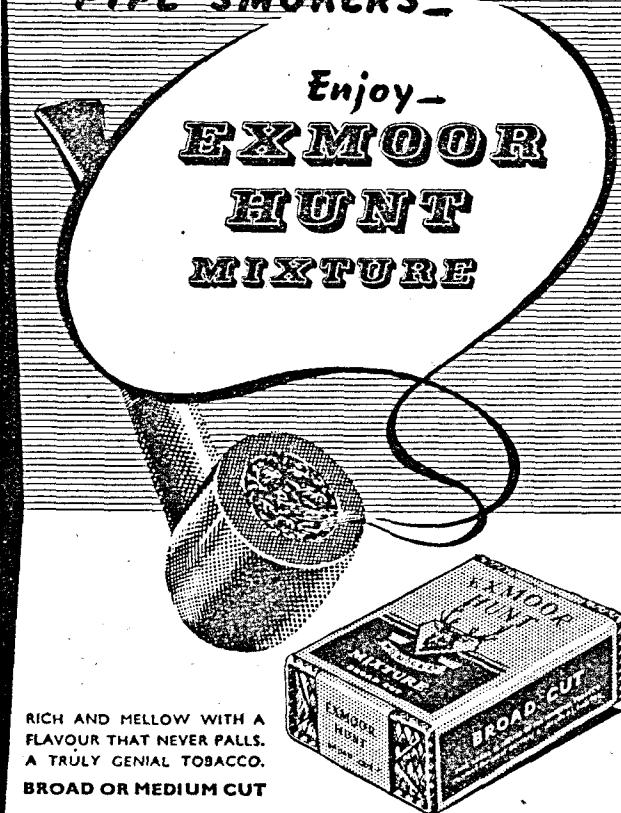


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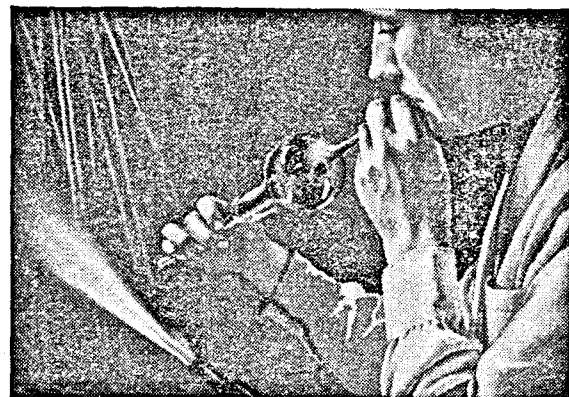
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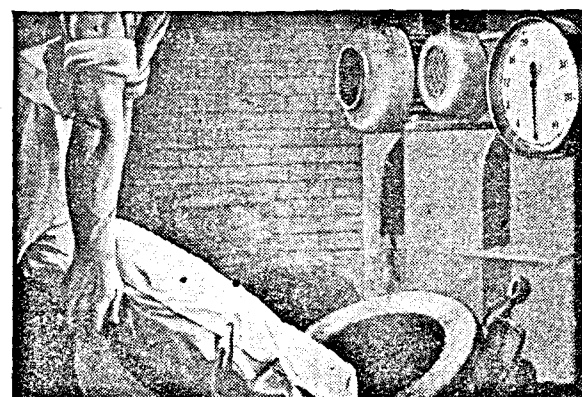
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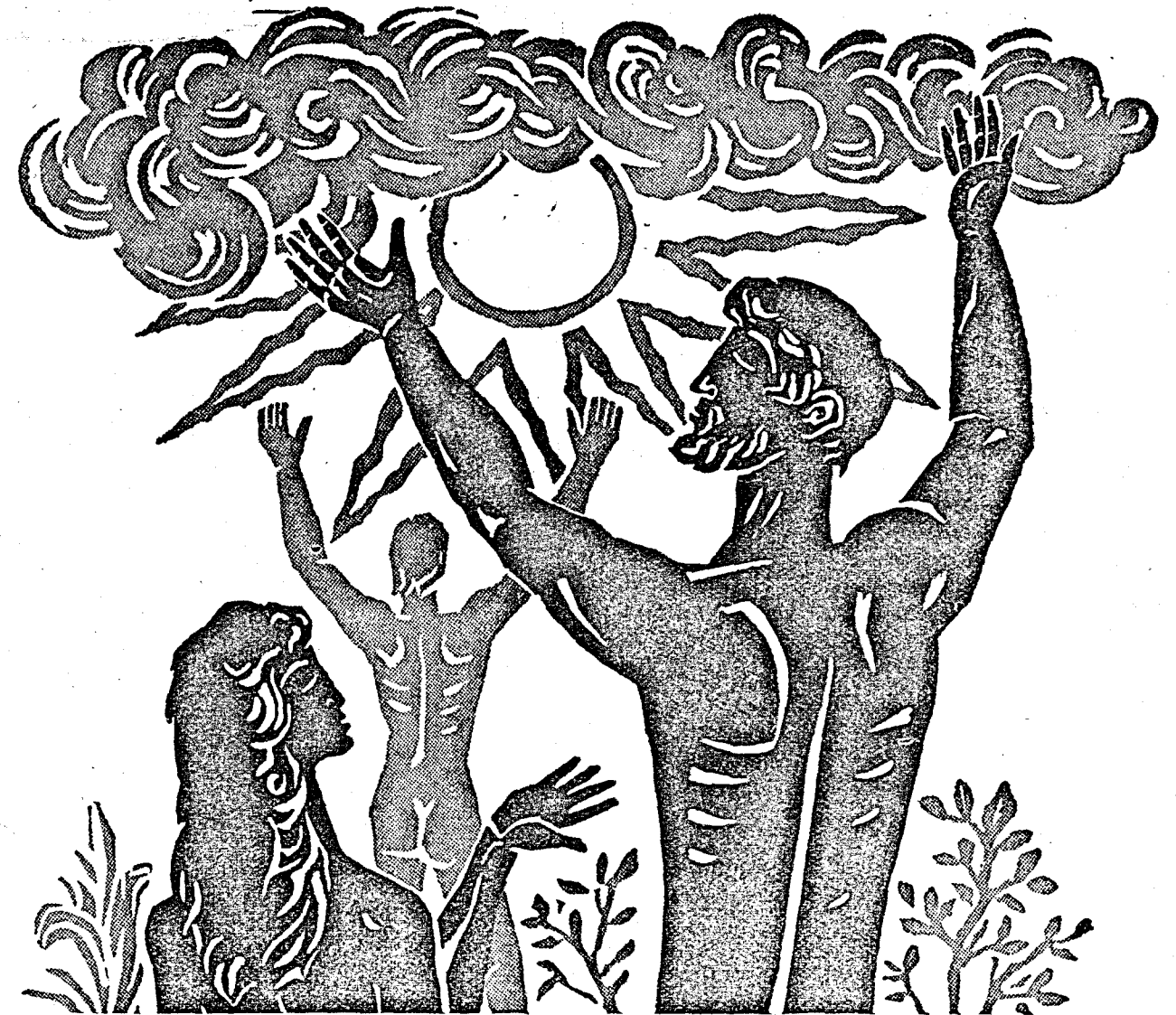


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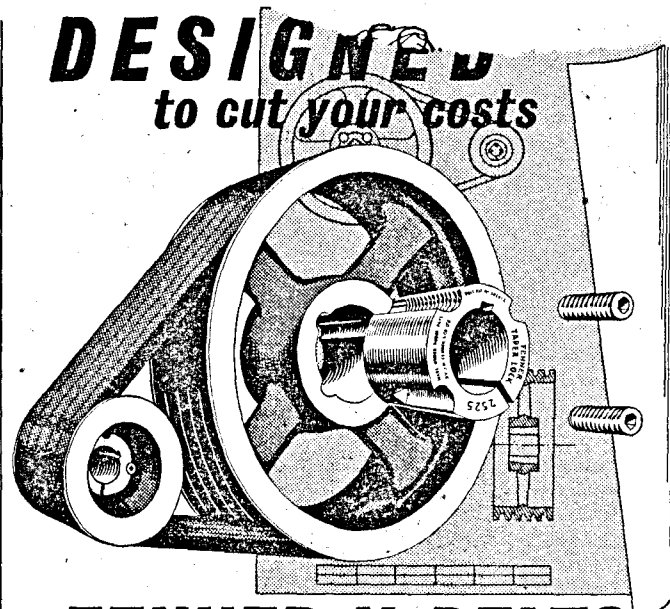
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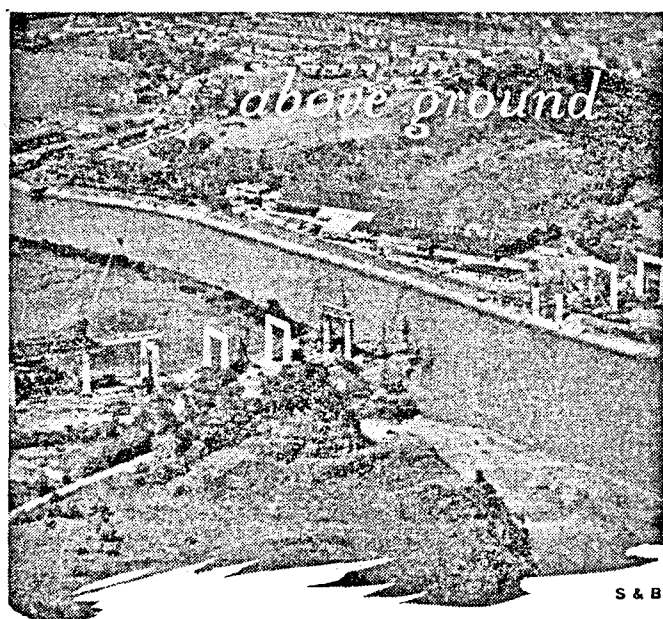
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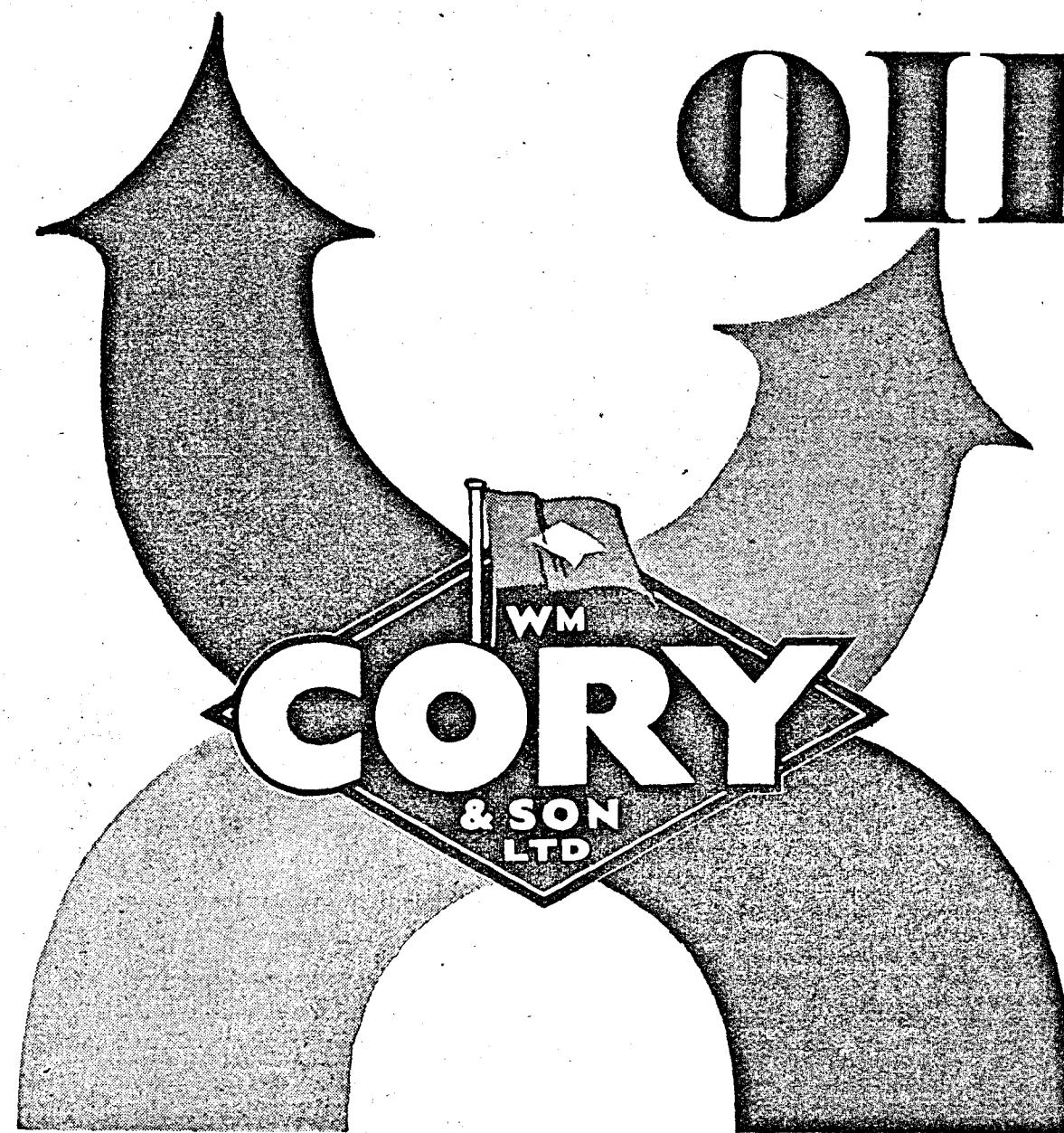
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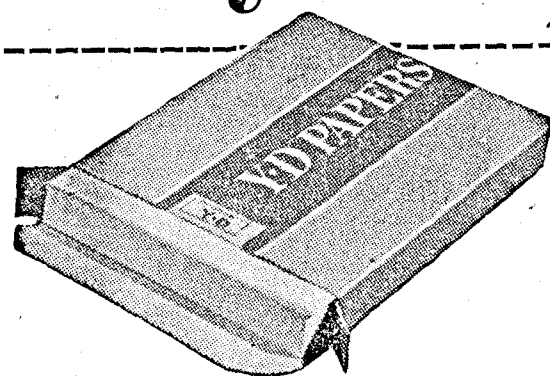
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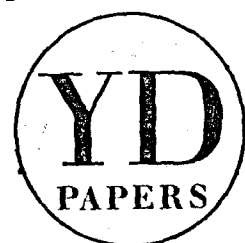
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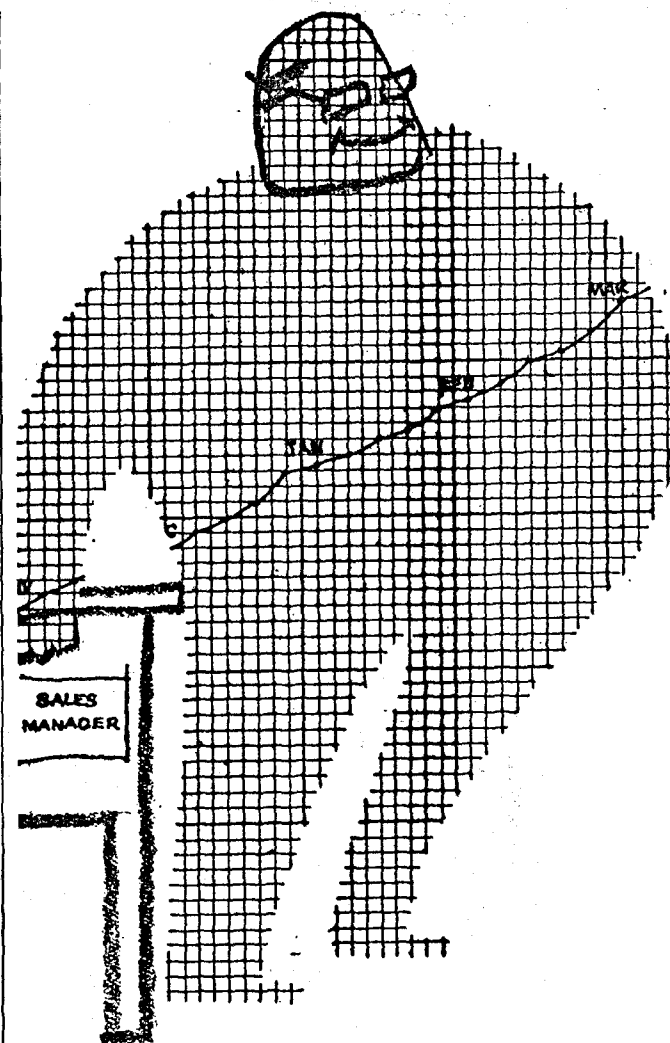


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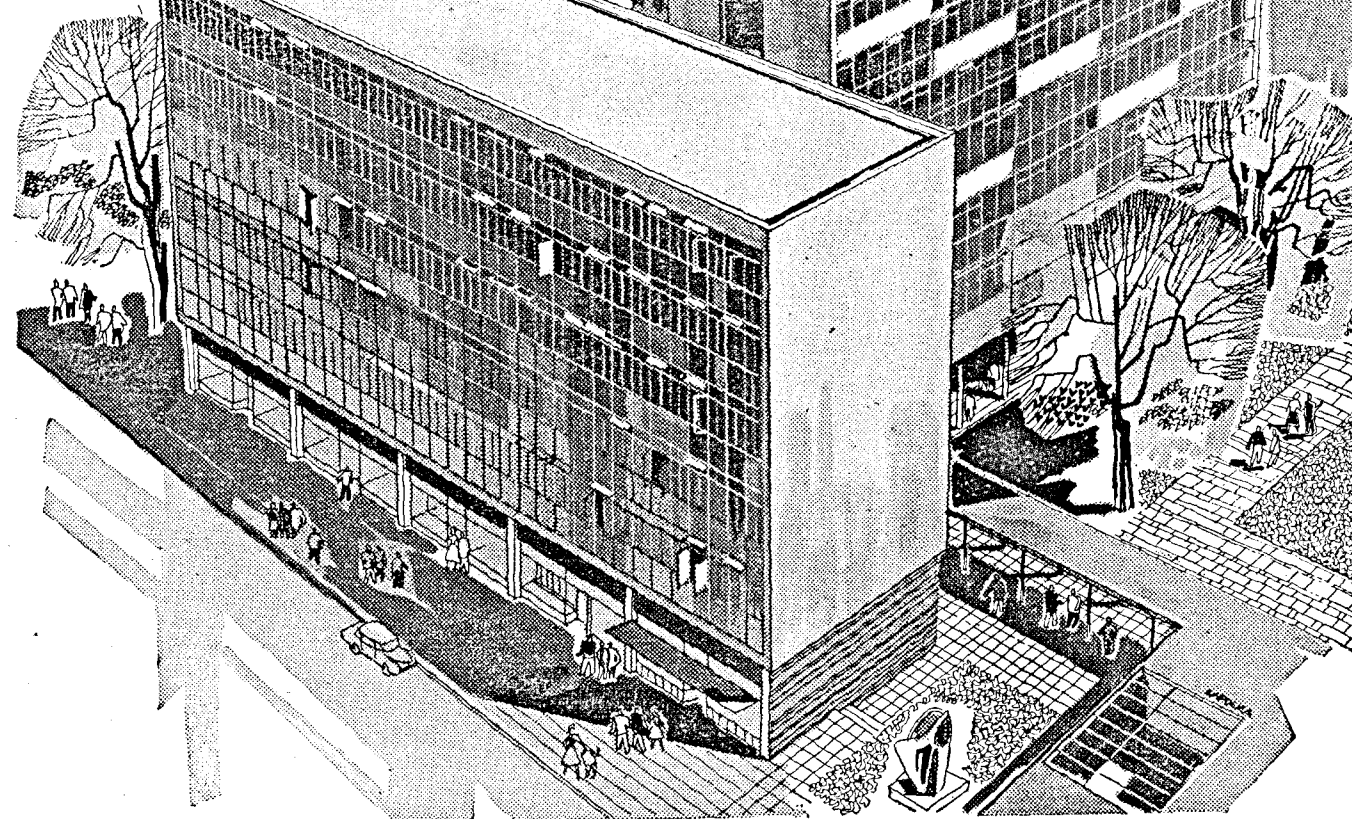
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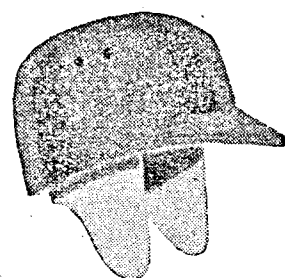
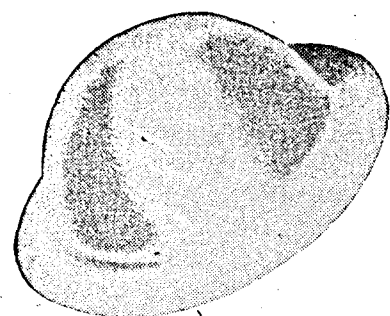
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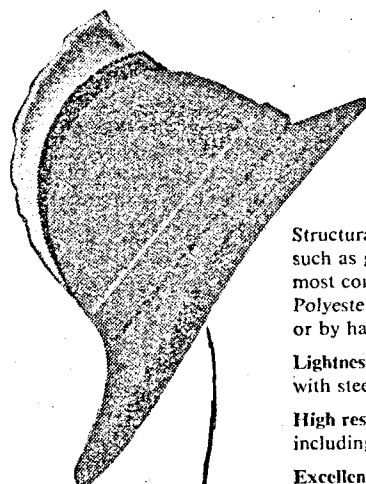
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NOVEMBER 26, 1955

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Fog Over Germany

THE breakdown of the Geneva conference has left British public opinion in a state of confusion over Germany which the Government has so far done nothing to remove. To the Germans the three western powers sent post-haste a declaration in which they justifiably blamed the Russians for the breakdown and reaffirmed their intention of continuing to press for German reunification. But at home, enlightenment on the real issues involved is urgently needed, if the Government intends to carry the British public along with it in pursuing a policy on which the fate of the whole western world depends.

At present, there are two strong currents of public opinion about Germany which are both exaggerated, and both dangerous. The first is the complacent view, which feeds on the British tendency to find justifications for the easiest course. To this school of thought, it seems unnecessary to worry about German reunification, particularly if insistence upon it should impede friendly relations with the Soviet Union. The West Germans are getting on very well and their country is much less dangerous divided than reunited. Why not thankfully accept Mr Molotov's rejection of the western offer at Geneva? If the Russians want the present *status quo* to continue indefinitely, is there any good reason why Britain and America, and even more so France, should not agree? This is the one way of thinking.

The second, more cynical, school of thought is the exact opposite—but it serves the Soviet purpose just as well. The Germans, according to this view, will never be trustworthy. They are so determined to be reunited that they will sell out to Moscow as soon as Mr Zorin sets up his embassy in Bonn. They joined Nato only to secure an army as a means of bargaining for the Soviet Zone, and later for the Polish-occupied territories. Their big industrialists are waiting for the chance of a new Rapallo treaty with the Soviet Union, which would give them markets from the Elbe to the China Sea, while the German working class will soon insist on "socialist" changes to bring the Federal Republic into line with the "German Democratic Republic." In short, Mr Molotov's proposals will in any case be accepted by the Germans sooner or later. Why make such strenuous efforts to keep the Germans in line with a western policy that may itself be abandoned?

Between these opposite doctrines, the realities are being overlooked. It is being forgotten that the western governments have pledged themselves in the Paris treaties to make German reunification a prior aim, and that they cannot evade this obligation without a gross breach of faith. Germany will undoubtedly be reunited at some time and in some way; only the "how" and the "when" remain in question. It is certain that if the West, including the western-minded elements in Germany, does not initiate and control the process of reunification, the Russians and their helpers in Germany will do so. Both the Soviet programme for Germany, and the attitude of the Germans themselves, make the *status quo* impossible to maintain for very long.

It is the complacent view—that the Germans will accept indefinite division—which is the bigger illusion. Admittedly, there is not the slightest reason to suspect Dr Adenauer and his colleagues of preparing to do a deal with Russia. On the contrary, if one good result came out of the Chancellor's visit to Moscow, it was to explode the myth that Germans know how to manage Russians; they now know that if they go all alone to expose themselves to the Russian mixture of blackmail and bonhomie, they at once find themselves struggling in a quicksand. Nevertheless, it will be very hard indeed for Germans to resist Mr Zorin once he is established in Bonn, unless the western statesmen continue to urge a policy which seems to the Germans to offer them more hope. If America and Britain seem half-hearted in their support for German unity, or if they look like yielding to the temptation to do a deal with the Russians at Germany's expense, the pro-western party in Germany will shrivel up. Then, indeed, there would be a reunion of the two Germanys—but on Russia's terms, and with the serious risk that the Iron Curtain, or at least the effective limits of Soviet power, would be moved forward to the Rhine. That this would be disastrous for British security is obvious—even if it did not bring as a consequence the withdrawal of American troops and American support from Western Europe. We should then be back in 1939, an infinitely more terrible 1939.

★

It is from the desire to avoid this calamity, not simply in order to please the Germans, that the need arises to insist on German reunion in freedom and in concert with the West. It is perfectly true that, after all the delays, nobody can guarantee the success of the policy. Dr Adenauer's age puts a narrow time-limit on the safe period for the West in Germany, and few of the other party leaders are as clear-sighted as he. The Social-Democrats reject neutralism in theory, but they want Western Germany released from its Nato obligation before free elections are held; and without specifically demanding that reunited Germany shall be kept out of Nato, they propose that it should join a general—and toothless—"security" system containing no Nato from which to be excluded. When the contradictions of this programme are examined, it can be seen that there is dangerously little difference between it and Mr Molotov's plan. Moreover, the leader of the Free Democrats, Herr Dehler, has now affirmed that a "security" system should precede free elections, and his party—which forms part of the governing coalition—is toying with the idea that Federal Germany should be released from the Paris agreements.

It would be silly to pretend that the risk of a German landslide does not exist. Nevertheless the present policy is the only possible one for the western powers to pursue. For one thing, any weakening in it would at once bring about the disaster that is feared. The car may indeed run off the road; but that is the poorest

of reasons for taking one's hands off the steering wheel now.

Moreover, the general pessimism has been overdone in recent months. There are evident reasons for apprehension; but there are also still good reasons for confidence that the western policy will continue to pay dividends, as it has done hitherto. The opposition to Dr Adenauer's policies in Germany may be more articulate than the support; but that is the way of oppositions, and the Chancellor has always hitherto proved himself an accurate prophet of what the German voter really wanted. His support has been increased by Mr Molotov's bluntness at the Geneva conference. Many Germans have been alarmed by the discovery that Russia's price for reunion is not only the liquidation of Nato but also that the electorate in Western Germany shall be pre-digested for Communist consumption. The forces in Western Germany that would resist any attempt to introduce the elements of Herr Ulbricht's "socialism" should also not be underestimated. If the western governments can find means to keep the German public continuously conscious of what reunion on Russian terms would mean, the task of maintaining Dr Adenauer's policy after he has left office need not prove impossible.

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Nor is there any reason why the present Russian obduracy should be assumed to be permanent. There is, it must be admitted, no sign now visible of the slightest willingness to let the East Germans out of their prison. But in rejecting free elections so categorically, Mr Molotov opened a large chink in his armour, and if western policy will thrust a blade in, and keep it turning in the wound, it must have an effect in time. The demand for a free election is a means of forcing the Russians on to the defensive which should be exploited to the utmost. When one reflects how many complete switches in Russian tactics there have been in the past five years, it does not seem impossible that a sustained irredentist campaign could, within a few more years, make Eastern Germany seem to the Russians more trouble than it is worth.

Nothing that has happened, or failed to happen, at Geneva makes a case for changing the western governments' German policy. On the contrary, the case for pursuing it with energy and firmness is as strong as ever. But there is one condition of its success that is being neglected. Like any policy of strength and resolution it makes demands upon those who pursue it, demands upon their pockets and, at times, upon their nerves. It cannot be pursued consistently to its conclusion unless public opinion understands the necessity for it. This can hardly be said to be the case in Britain today. Since the argument within the Labour Party over German rearmament died down, there has hardly been a single authoritative voice raised in either party to explain the necessity for making free elections in Germany a condition of any settlement with Russia.

It is quite true to say, as western ministers have said, that to deny the Germans the unity they want is both unjust and unsettling; but it is not enough. The memory of the Nazis' crimes is still vivid, and not many people in western Europe, including Britain, are prepared to struggle hard over a long period merely to satisfy a German longing. What needs to be said—clearly, authoritatively, and repeatedly—is that with Germany divided, there is no enduring *status quo*; that

Luddism on the Record

THE very sensible attitude of the Opposition in the House of Lords has opened up a real possibility of making the Government's unsatisfactory Copyright Bill a symbolic step towards the re-establishment of consumers' rights; and Conservative backbenchers should seize this opportunity with both hands when the Bill comes before the Commons. In order to concentrate attention upon the main issue, it will be simpler at this stage to ignore the many subsidiary controversies about this Bill. The major point, and major opportunity, that needs to be emphasised concerns copyright in mechanical contrivances—particularly the right of restricting public performances of gramophone records and, now, under the proposed Bill, also of television broadcasts.

This may seem to be a rather esoteric subject to make a fuss about, but it is a subject of some psychological importance. For the present law about gramophone performances has degenerated, and the new law about television broadcasts could degenerate, into a breeding ground for Luddism; and it is the sort of Luddism, since it is run by a trade union, from which Parliament usually either runs away or else actually helps to extend. If Labour in the Commons, following the example of Labour in the Lords, can now join with sufficient Conservative backbenchers to frighten the Government into taking offensive action against it, then a stage will have been reached in the British worm's turning which many people will consider to be both promising and exciting. At any rate, this is clearly the moment to urge any such potential rebels on.

The historical background to the existing right to demand licences for public performances of gramophone records is very simple: it is a right which the Copyright Act of 1911 appears to have created by mistake. In evidence before the committee which paved the way for that Act, the representative of the gramophone record manufacturers specifically agreed with the chairman that "the purchaser of a disc should not merely acquire the right to use it in his own private surroundings . . . but to use it in public." For more than twenty years after the Act of 1911 it was assumed that this was the principle on which Section 19 of that Act was based. Then, in the Carwardine case of 1933,

once there is no longer a place on German soil for American forces, the Atlantic bridge will become little more than a rainbow; in sum, that to let Germany slide into the Soviet scales is to surrender western freedom in advance. The Prime Minister and the Foreign Secretary will find their policy slipping away from under their feet unless they address themselves, repeatedly and insistently, to the task of explaining the necessity for it.

the courts ruled that it was not. As a result of the Carwardine decision, the gramophone record manufacturers were enabled to license, and collect fees from, every dance hall, music hall and social club in which public performances of gramophone records take place.

It should be emphasised at this point that the right to levy this fee has not proved to be a very profitable one to the gramophone record manufacturers, to whom it was nominally granted; the manufacturers told the Gregory Committee in 1952 that the fees they receive from public performances are "of little or no importance" in their total receipts. Nor, although the manufacturers now "voluntarily" share out the licence fees they receive among other interested parties, has the Carwardine decision been generally welcomed by the composers, songwriters, music publishers or even by all the solo artistes; representatives of all these interests told the Gregory Committee, with varying degrees of emphasis, that anything that slows down the sale of records and the public performance of music is against their interests.

The view that the Carwardine decision should be reversed by Parliament has, of course, been even more strongly pressed by music users, and not merely by commercial concerns; the National Council of Social Service (representing boy scout groups, youth clubs, women's institutes, YMCA and YWCA branches, community associations and many others) and the Parliamentary Committee of the Co-operative Union gave forthright evidence to the Gregory committee to this effect. There is, in fact, no real pretence but that this licensing right, which is so much against the interests of the greater part of the community, is maintained for one reason alone. The Musicians' Union, representing the rank and file players in orchestras and bands, has intimated that its members might go on strike, and refuse to make any records at all, if the Carwardine decision were reversed—or if the record manufacturers ceased to use the licensing power in order to maintain in employment those of its members who might otherwise be displaced by machines. The public now has to consider whether it should stand up to this threatened strike, and it should take note of what will continue to happen if it does not.

The Musicians' Union's interest in the present system is not mainly that it gets money from the licence fees; although the gramophone record manufacturers do in fact give the union 12½ per cent of net receipts. The union's main object is quite simply to use the existence of the licensing power to prevent some public performances of gramophone records from taking place. Licences issued by the record manufacturers embody a reference to "conditions inserted at the request of the Musicians' Union"; one of these is that no record shall be played "where musicians could, having regard to the size and nature of the theatre, music hall, dance hall, or other place of entertainment, be employed." This is Luddism in the raw. The Gregory committee had to decide whether it should launch an attack upon it; it decided, on the whole, that it had better not.

It was after consideration of this committee's report that the Government introduced its Copyright Bill. It is therefore perhaps not surprising that the Bill's treatment of the subject is so unsatisfactory. The Bill confirms the licensing power over public performances of gramophone records; indeed, it writes the principle of the Carwardine decision in more specific terms into the law of the land. Having made this regrettable decision, the Government then takes one step towards mitigating, but also one step towards extending, the network of restrictive practices to which the Carwardine case gave birth.

The backward step, extending the scope for restrictionism, is that a licensing right in television broadcasts is now to be created, broadly similar to that in gramophone records; any hotel, restaurant or other public meeting place that turns on its television set will have to get permission from the BBC and the ITA, and pay a licence fee for doing so. The excuse for this clause is that some sports promoters have requested it, in return for allowing the BBC and ITA to televise their events. The Government denies that it will enable any other live entertainers to indulge in new restrictive practices; but it is no secret that those connected with many seaside shows, who have been hit fairly hard by the new tendency of hotel patrons to sit watching television in the lounge, have for months been licking their chops over this provision. The mitigating feature of the Bill—and it is only fair to emphasise this—is that a Performing Right Tribunal is to be set up "to adjudicate in disputes between persons seeking licences to give public performances of television broadcasts and records and the owners of the copyright therein"; this tribunal may temper some of the worst results of the existing law and the new one, but it is clearly not intended to eradicate a system of restrictions which should never have been set up.

This was the situation when the Copyright Bill came up for second reading in the House of Lords last week.

In that debate, as also in a debate on the abortive Copyright Bill which died with the last Parliament, Labour speakers said all—or most of—the right things. In particular, Lord Jowitt, until last week the leader of the Labour peers, spoke strongly against imposing upon hotels the extra charge and licensing procedure for television broadcasts (although he accepted the case for imposing it upon cinemas). As for the performing right in gramophone records, he said that "it has nothing to do with the law of copyright, and the sooner it goes the better." "I really cannot," he said, "be diverted by threats of strike action from what I think is right." Parliament as a whole will soon have to decide whether to echo Lord Jowitt's determination, or to tag along with the Government's fears.

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Which will it do? Some MPs, on both sides of the House, may incline to hold back lest they be accused of launching an assault upon trade union rights. But they ought to take three relevant considerations into account. First, this is not a question of whether Parliament should pass a law to stop a particular trade union from indulging in restrictive practices; it is a question of whether Parliament should pass a law that deliberately sets up the only system by which it can continue them. Secondly, the system which fosters this Luddism, under the guise of a copyright law, has nothing to do with the essential principles of copyright at all; a close analogy would be if the drivers of horse-drawn carriages had been given the right to restrict the spread of motor taxicabs as a by-product of a law for the prevention of cruelty to animals. Thirdly, if ever there is to be any move against isolated instances of restrictionism among the trade unions, it is important that Labour should appear to take at least some part in it. It may be that Labour in the Commons will not follow the trail so bravely blazed by Labour in the Lords; the Opposition as a whole may not be as willing to cut itself free from the less desirable activities of its industrial associates as the Tory party, to judge from its project for monopoly reform, at long last seems to be shaping to do. But in that case it is surely up to Tory MPs to jostle Labour along.

The case against linking a general campaign against restrictive practices among employers with one against restrictive practices among unions has always been a case for priorities; it is probable that the second sort of campaign would slow down the first. But this makes it all the more essential, when individual opportunities occur, that apostles of the new Conservatism (and, for that matter, of the new Socialism) should show that they are as much in earnest about attacking restrictionism among the workers as they certainly ought to be about attacking it among the businessmen. Here, in the unexpected shape of a Copyright Bill, the opportunity lies to hand. It will be a great mistake to muff it.

Masters of Their Fate?

THE Assembly of the United Nations is rarely at a loss for something to talk about, and one of its favourite topics is the principle of self-determination. The phrase rumbles continuously in the background of most of the contentious issues that the Assembly or its committees feel called upon to take up, and this year it is cropping up in a number of specific ways. There is the organisation of a practical exercise in self-determination in the British trust territory of Togoland. There is one proposal for a commission to examine alleged denials of the right of self-determination, another for another commission to conduct a survey of the whole concept of self-determination. And in the Assembly's third committee (social and cultural affairs), protracted controversy over whether the "right" of self-determination should be included in the human rights covenants looks like being the rock on which these covenants may finally founder.

Self-determination is a fine, woolly concept which lends itself to high-sounding speeches, but when dispassionately dissected reveals all sorts of practical difficulties. It is not surprising that a committee of the United Nations should stumble over it; but it is rather surprising that historical memories should be so short as to overlook all the complications and illogicalities that arose out of the Allies' attempt to base a peace settlement after the Kaiser's war on this principle. Even the most famous champion of the idea, President Wilson, who at one time proclaimed it to be "an imperative principle of action," later came to realise that he had stirred up a hornets' nest and had created more difficulties than he had settled.

On general grounds, few would want to quarrel with the principle that all peoples have a right to be independent and to choose their own form of government. But the principle can neither be pushed to its logical conclusion without producing a *reductio ad absurdum*, nor applied indiscriminately without creating endless confusion, difficulties and hardship. If self-determination is acknowledged as an absolute right, there is logically no reason why, say, the Liverpool Irish or the Istanbul Greeks should not set up their own little *imperium in imperio*; nor is there any reason why the Walloons should not disrupt Belgium, the Sikhs India, the Indians South Africa, or the Red Indians America if they had a mind to do so.

In practice, of course, self-determination never has been applied either logically or indiscriminately. The American colonists broke away from the rule of George III, but later the majority of their descendants went to war rather than allow the same right of secession to the southern states. After 1918 the principle of self-determination was invoked to justify the break-away of the Czechs and the Slovaks from the Austro-Hungarian empire, but it did not stand in the way of

the inclusion of the Sudeten Germans within the frontiers of the new state. When Westminster relaxed its hold on Dublin, the Ulster Protestants were allowed to remain free from Catholic Irish rule, but the Catholic elements in Tyrone and Fermanagh—and for that matter in Belfast—have not been granted the right to secede from the rest of Northern Ireland. India successfully threw off British rule, but it is not prepared to allow the Kashmiris to choose their own future for themselves, and neither the Indians nor the Portuguese are as yet willing to allow self-determination to the Goans. Similarly the Burmans and the Indonesians, who have both freed themselves from alien rule, have both forcefully prevented minorities such as the Karens and the Ambonese from paying them back in their own coin. And, of course, there are a whole host of unfortunate peoples from the Latvians and the Lithuanians to the Tibetans and the Kazakhs who are now deprived of their independence and their political freedom by either the Russians or the Chinese.

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There is, of course, nothing at all to be said for the denial of self-determination to those who once enjoyed it and are perfectly capable both of exercising it again if they get the chance, and of forming a viable state. But the refusal to do as you have been done by in the matter of self-determination is not necessarily and universally to be condemned. Clearly a line must be drawn somewhere and commonsense and practical economic realities usually indicate fairly plainly where it must lie. Nobody has ever regarded "balkanisation" as a very desirable and happy state of affairs; and those who are now determined to prevent this fate from overwhelming their own countries can legitimately point out that in the past many peoples of different nationalities have pooled their resources and settled down together, and that some of the most successful and prosperous states today, such as Switzerland, Belgium and Canada, would not enjoy their present position if their component peoples had decided to secede. Many small groups are better off enjoying—and contributing—their share of the economic resources, prestige and protection of a larger state than they would be if left to make their own way in the world. Moreover, experience has shown that the amalgamation of several nationalities in one state does not inevitably mean the suppression of each nation's identity; Lord Durham, who, in 1839, pronounced any attempt to preserve a French-Canadian nationality among the Anglo-American majority to be a "vain endeavour" was, in the event, proved wrong.

What is objectionable, however, is the tendency of so many countries, most of whom have at least one

self-determination skeleton rattling in their own cupboard, to press on others a principle that they have no intention of observing themselves. One reason for their attitude is obvious; the idea of self-determination, which not only appeals strongly to heady nationalist feeling, but is also closely associated with the idea of self-government, provides a splendid weapon to brandish against the "imperialist" powers. Mr Robert Lansing, who was President Wilson's Secretary of State, described it as a phrase "loaded with dynamite." But while he was appalled by its potentialities, today Communist mischief-makers and under-developed and formerly dependent countries with a chip on their shoulder are delighted. They may not manage to blow up the imperialists with it, but they can certainly hope to cause them a good deal of trouble and inconvenience.

Ironically, Britain, which has set more people free to go their own way than any other country has ever done, is now among the principal targets of the self-determination-at-any-cost school and among the opponents of the attempt to write self-determination as an absolute right into the human rights covenants. On the other hand, the worst offenders today, Soviet Russia and China, are left in peace because those who shout loudest and longest for the principle are either Communist sympathisers or else realise that the Communist powers are much too tough a nut to crack—a reputation that Britain, unfortunately, does not enjoy.

Everybody's Servants

IT comes as something of a surprise, in reading the report of the Royal Commission on the Civil Service, to remember how narrow its terms of reference were. The commission was told to examine whether any changes are required in the principles that govern civil service pay, and to put forward proposals for pay and conditions that would accord with any new principles that it might adumbrate. This has inevitably excluded many interesting matters about modern bureaucracy from its purview. It also means that any criticism of this brave effort of a report—and inevitably, there is room for such criticism—should not be directed primarily against Sir Raymond Priestley and his colleagues; it should be directed against those who confined the commission's deliberations within such cramping limits. For the commissioners were given two almost insuperably difficult tasks to perform. First, they were asked, in effect, to decide what is the just price for a commodity, a task that has been the ruin of every commodity scheme since interferences with the market were first invented. Secondly, they were asked to make this decision in a vacuum.

The starting point for the commission's deliberations had to be the principle on which civil service pay has allegedly been decided hitherto. This is enshrined in

Thus, in practice, the issue of self-determination has today come to be concentrated upon those backward peoples for whom it may easily prove to be a dubious blessing. Britain, for instance, has agreed to let the Togolandese pronounce on their future status. In the present climate of opinion it could hardly do otherwise; but it is a moot point whether the Togolandese are really as yet sufficiently advanced to make the best choice for themselves. To clamp down indiscriminately on nationalist aspirations and the desire for independent statehood is clearly wrong. But it is hypocrisy to claim, as Afghan and Saudi Arabian delegates (of all people) on the UN Third Committee have done, that "self-determination is a prerequisite to all fundamental human rights." On the contrary, it may mean a denial of human rights to a minority in the "self-determining" country (can anyone say for certain that this will not be true of the negro tribes in the self-determining Sudan?). Even where there is no minority problem, unlimited exercise of the right to self-determination may lead to a denial of other rights, such as freedom from want and freedom from fear. To say that self-determination is a guiding principle to be put into action when other things are equal, is to lay oneself open to a charge of hypocrisy. But those who try to maintain that it is an absolute right are either blind to past and present history or else simply mischief-makers.

what is known as the "Tomlin formula" of 1931. It is a vague formula, and it was differently interpreted by the staff associations and the Treasury in their evidence before the commission; but broadly it requires that pay and conditions should be sufficient "to recruit men appropriate to their particular duties and to retain them in the service without loss of keenness and efficiency." The crucial point to note about the Tomlin principle, in this basic form at any rate, is that it is not a principle at all. It is merely an admirable economic platitude. In effect, it says that the market economy will always show what is right for the gentlemen in Whitehall, which sounds like a pleasing reversal of the usual situation but is really simply a necessary recognition of the market's power. There can be no suggestion that the Tomlin formula is wrong. There can only be the question whether it has been adhered to.

Quite obviously, it has not. That is why the commission had to be set up. Notoriously civil service pay has lagged behind the rise in salaries in general, ludicrously so at the top; and it has been unscientifically supplemented at odd times by special allowances, overtime pay and similar expedients. On the Tomlin formula, therefore, the staff associations had no difficulty in showing that pay is unattractive,

and all down the scale. This year there is no surplus of acceptable candidates for the administrative class; and for some years there is reputed to have been a poor catch of really brilliant minds. In the executive grade, there is still a surplus of acceptable applicants over vacancies, but it is falling precipitously; the professional grade has unfilled requirements, and the clerical grade needs far more recruits than it is now attracting. These were the disturbing facts that faced the commissioners from the start.

Their next task was to decide whether any more precise principles could be found which might be easier to adhere to than the Tomlin platitude. There were believed to be several possible principles in the field; and from them the commission chose the principle of comparable pay for comparable work. Civil service pay, it recommended, should equal the current rate for comparable work in outside employment, after allowance for career prospects, hours of work, leave, security of tenure, superannuation terms and so on. Everything, including the commission's own packaged proposals on pay and conditions, turns on the application of this formula. Certainly it is by reference to this principle—and by reference to the question of whether it can be made to work—that the commission's own proposals must be judged.

There are three initial points to bear in mind here. First, most of the staff associations tried to secure information about the pay of comparable jobs outside the service, and found it very difficult. Secondly, the commission evidently was not impressed with such facts as were collected, since it pared down, except for the top administrators, the claims that were based upon them. Thirdly, the commission recommended that a fact-finding unit should be set up to make the comparisons on a secure basis, and to keep them regularly up to date—comparing like with like, and, where likeness could not be found, making special job analyses to reach a fair comparability.

Yet the commission claims that it has fixed most of its own detailed proposals in accordance with the principle of broad comparability. This ought to mean that it has got better figures than were offered in the staff association's evidence, and hence that it has done some of the work of the proposed unit already. But, if it has, no detailed statistics are offered in proof. On the contrary, the report expresses the "hope" that private employers will co-operate in providing such figures in future. Many branches of the civil service fear that any comparisons will tend to be, not with a comprehensive range of private employment, but with local government scales, teaching, the nationalised industries, and perhaps (for some) banking or insurance. If this were the chosen list, civil service rates would be determined by reference to rates which are themselves partly determined by reference to civil service rates. This sounds like an excellent recipe for perpetual immobility, and for ensuring that in an age

of inflation civil service salaries would again fall behind the market rate—which means behind the Tomlin formula.

Do the commission's own packaged proposals, for pay adjustments now, themselves accord with this formula? Would they enable the civil service to recruit and retain sufficient "men appropriate to their particular duties"? The best feature of these proposals is the courageous decision to "pull the concertina out" by recommending quite sizeable increases at the top of the scale. There should be unalloyed praise for this. But some of the other proposals, as shown in the accompanying table, look rather odd, in view of the admitted difficulties about recruitment. Under the commission's scheme, and in consequence of its understandable desire to get rid of overtime and overtime pay, some of those in the lower grades would actually get less pay, though for fewer hours of work, than they get now.

There are, of course, some counteracting advantages in the commission's proposals that might help to stimulate recruitment. The consolidation of overtime pay into salaries would automatically raise pensions; the

SOME CIVIL SERVICE SALARIES

	Staff Associations' Claims excluding Overtime	Present Pay including Overtime or Extra Duty Allowance	Proposed Pay
Administrative Class (London)			
Permanent secretary	6,000	4,500	6,000
Deputy secretary	4,800	3,250	4,250
Under secretary	3,800	2,600	3,250
Assistant secretary	2,400-3,000	1,700-2,200	2,000-2,600
Principal	1,600-2,200	1,344-1,684	1,300-1,850
Executive Class			
Senior executive officer London	1,250-1,525	1,215-1,431	1,220-1,450
Executive officer London	350-925	346-940	340-950
Clerical Class			
Clerical officer London	195-640	214-685	225-650
Scientific Officer Class			
Principal scientific officer London	1,600-2,200	1,344-1,620	1,300-1,850
Scientific officer London	...	555-999	575-1,000

incentive of the move towards a five-day week, by way of the ten-and-a-half-day fortnight, should not be underestimated; and, above all, higher pay and shorter hours in the middle grades would improve the long-term career prospects of the service. But here an immediate problem arises. If career prospects are to be the main new incentive, there must be reasonable prospects for promotion to senior levels; and, unfortunately, civil servants complain that promotion prospects were rarely worse than they are today. There are two reasons for this. One is the traffic block created by the heavy postwar intake of temporary officers into the permanent civil service; in the administrative class, for example, there is now a big block of them at

principal level. The other reason is that while the civil service as a whole has expanded so swiftly, the number of Ministries and therefore of really top jobs has not expanded in proportion. A larger number than usual of those to be attracted into the administrative class by the new deal will never rise beyond principal level—on a retiring salary of £1,850. This problem of promotion, however, was not within the narrow terms of reference of the commission.

Criticism of this report therefore returns to its starting point. The commissioners were asked to find out what the market rate for civil servants is, and yet they were not allowed to consider some of the factors that most seriously affect the market. It is therefore, unfortunately, very doubtful whether their chosen principle of comparable rates will prove to be any more valuable than the Tomlin formula. What, then, should the Government do? There can be no dogmatic answer to this; indeed, the Treasury itself might be wise to become a little more free from dogma. Perhaps the best advice that the Priestley commission could have given to the Government would have been that it should constantly follow the market, instead of periodically setting up commissions to find out what the market is. If the Government finds that it is short of recruits for

particular grades, that provides a *prima facie* case for putting up salaries in those grades. If it finds that it is not attracting sufficient brilliant men to fill its top posts in thirty years' time, that is a reason for supposing that pay in the top posts which those brilliant men can hope to attain is not sufficiently attractive. Special enquiries into other employers' rates may sometimes help (although they may also sometimes obscure), but the basic problem should be as simple as that.

There are, of course, two principal difficulties about following the market now. One is that it would almost certainly involve bigger increases in some salaries than the Priestley commission has proposed; but that misfortune for the taxpayer should be accepted. The other is that although supply and demand will always indicate roughly how much the civil service will need to pay to get the men it wants, there is no market indication which will tell the taxpayer exactly how many men the civil service *ought* to want; perhaps that is a matter for Parkinson's law, or for another commission. But salary increases should not be refused for this reason. An inflated bureaucracy may be an expensive evil, but an inflated bureaucracy which could only afford to recruit second-class men would be no sensible sort of economy.

Notes of the Week

Parliament Against the People?

PARLIAMENT is going to debate the fourteen-day rule and other restrictions on broadcast discussions next week, and the Government is apparently at last prepared to agree that a Select Committee should look into them. Before examining whether there can be any sensible compromise about these restrictions, it is necessary to distinguish between the utterly false and the barely plausible arguments for them. The utterly false argument, which the Prime Minister and other supporters of the restrictions have sometimes unfortunately used, is that "everybody agrees that Parliament should be the main forum of discussion in a democracy." It should be made quite clear that everybody does not agree with that proposition; on the contrary, most democrats should passionately oppose it. The main forum of discussion in a democracy certainly should not be Parliament. It should be the pubs and clubs and hearths and homes of the British people; and one of the peculiarities of television and radio is that they thrust the raw material for discussion right down into them. It is strange enough that leaders of the Conservative party should have fallen for this monopolistic "main forum" argument. That members of the Labour party—which has

grown up from an entirely non-Parliamentary pressure group in the last sixty years, solely because of unfettered rights of discussion outside Parliament—should subscribe to it, is more extraordinary still.

The real argument for the restrictions (apart from jealousy felt by politicians who are not airworthy for those who are) is that unconsidered broadcasts by members of Parliament might bring occasional embarrassment to the party system of voting in the Commons; an MP might pass an off-the-cuff judgment on a new Bill over the air, and then find that his party, after maturer consideration of the rights and wrongs (or the political opportunities) of the case, comes to precisely the opposite one. Some people may think that this is a criticism of the party system rather than of broadcast discussions. But the conclusion to be drawn from it is plain. There is no argument against allowing members of the public to talk about anything they like over the air; at the most, there is merely an argument against allowing members of Parliament to do so. If Parliament wants to continue these restrictions, then let it continue them for MPs only; and if it wants to make them workable, then probably the only way to do that will be to ban MPs from broadcasting at all. On the whole, any such ban would be a pity; but any other continuation of the restrictions, if continuation there is to be, will raise an issue of Parliament against the people in a very dangerous form.

Butterfingers and Bad Tactics

THE only apt comment on the Government's handling of the Finance Bill is "Butterfingers." However much Ministers may protest that they knew what they were doing, it strains belief that any Government would knowingly allow any Bill to be dropped, even temporarily, from the Commons Order Paper.

What went wrong? Labour began the fatal night with a clear determination to force Mr Butler to relinquish his record of having never had to use the closure on one of his Finance Bills. But even some of the Tories were surprised that the closure was moved so quickly on what was the main debate about purchase tax. Labour MPs found themselves with a genuine grievance, and got their own back by arguing among themselves for two-and-a-half hours on a minor procedural point. They then tried to wind up the proceedings for the night, with the Government's weary acquiescence, by moving to "report progress". To everybody's dismay, however, the chairman refused to accept this motion, on the grounds that no progress had been made. In calm reflection here is a point that needs clearing up. Does "progress" in this procedural context mean the actual passing of clauses or amendments, or simply a passage of time? It would be more convenient if it meant the latter.

The chairman's refusal had the House hog-tied until Mr Wilson—or, as some observers thought, the wily Mr Chuter Ede at his elbow—unearthed an alternative motion, "that the chairman do now leave the chair". This was accepted and joyously passed; only later did most MPs realise that the effect of the motion was to wipe the Finance Bill off the Order Paper. Then, of course, everyone claimed to have known all along, and the matter was only put right after a good deal of verbal horseplay. This was a storm in a tea cup which probably could only have blown up towards the end of an all night sitting. But there is a more serious objection to this sort of nonsense than most MPs probably realise. The objection is not simply that high jinks on the Finance Bill do not seem very funny to the taxpayer. It is that if members go into paroxysms of delight on the one side, and fits of ill-concealed irritation on the other, about procedural tussles of this kind, Parliament's prospects for sober and reasonably sensible debate will be unnecessarily impaired. It would be unwise to be too stuffy about this, but there is no need to be unduly appreciative either.

Old Men Remember

WHAT is going on inside the national executive of the Labour party? It is no secret that at Margate the younger bloods in the party had thought that the informal seniority rule within the executive was at last to be overthrown. Plans had been laid—and, as the three gentlemen concerned probably thought, accepted—that Mr Gaitskell, Mr Wilson and Mr Crossman should become the chairmen of important sub-committees. But Mr Wilson and Mr Crossman have been on the executive for only a few years and are ex-Bevanites to boot, while Mr Gaitskell has been

a member for only one year. This has been regarded by the older members of the executive as arrant presumption, and the union members have put their almost united feet down. The result is that the main chairmanships, with one possible exception, have gone to familiar elders—Mr Griffiths for policy, Mr Morrison for publicity, Mr Earnshaw for finance, and Mr Sam Watson for international affairs.

The fact that the chairmanship of the policy committee has gone to Mr Griffiths seems a particular misfortune; this is the committee that will play an important part in editing the major policy statements that are to be presented to the party conferences over the next three years, and at Margate it had been widely assumed that Mr Gaitskell would get the job. Mr Griffiths's main qualification seems to be that he was chairman of the former committee on policy and publicity; his main handicap is that he may not realise that these two matters are very different things.

An even bigger misfortune, however—it is quite wrong to regard it as an even bigger joke—is that Mr Wilson has not yet been elected as chairman of the organisation sub-committee; indeed the whole question of party organisation is again in the melting pot, and some announcement may be made about it while *The Economist* is in the press. In last week's election Mr Wilson tied for the chairmanship of the organisation group with the trade unions' nominee, Miss Alice Bacon; and a new ballot will presumably have to be held. With due respect to Miss Bacon, who is rather unfairly regarded in the party as a right-wing hatchet-woman, the idea that she could act as Labour's Lord Woolton in taming the wild men of the constituency parties is absurd.

It is clear that politicking for higher places has lain behind these manoeuvres. The unions are apparently suspicious of the growing liaison between Mr Wilson and Mr Gaitskell. They do not challenge Mr Gaitskell's claim to succession to leadership, but they seem bent on reminding him that he has climbed by courtesy of the unions and that they will expect him to pick a union man as his running mate. But that choice will rest with Labour MPs who, on the whole, like the results of Mr Gaitskell's attempt to throw bridges across the gaps in the party. They have a good reason for this. With the vital proviso that the traffic across should be solely from Left to Right, it seems no bad thing for Labour that its next leader should go in for bridge-building—and gather new allies, but not new policies, while he may.

Sugar Coated "Kelloggs"

"ALLIANCES are the root of all evil"—so runs the latest theme-song now being broadcast from Moscow and Peking. It is topical and timely in both Europe and Asia; it fits in neatly with Mr Molotov's attempts to winkle the Germans out of Nato, and with his masters' exploitation, in Delhi, Rangoon and Kabul, of local suspicion of the South-East Asia treaty and of the new Baghdad pact. In countries remote from, or feeling remote from, the world's storm centres, the desire to stay free from entangling alliances is as natural as it was to George Washington; and there is a corresponding appeal for such countries in the proposals, sponsored by Russia and China, that alliances

such as Nato and Seato should be wound up and replaced by "security systems" or "peace pacts" open to all parties. The Chinese are even inviting the United States to join in just such a pact, embracing the whole area of Asia and the Pacific. There is, of course, a grim object lesson: the total failure of the prewar "Kellogg pact," in which war was solemnly and finally renounced by several dozen nations which a few years later found themselves at death grips. But there are even more serious objections.

There seems to be an odd but fundamental misconception about alliances. When concluded between free countries they are freely created and as freely left. They are thus diametrically opposed to the chain-gangs into which expansionist and totalitarian regimes marshal their often unenthusiastic satellites. Japan in the 1930s needed no alliance with "Manchukuo," nor Italy during the war with its puppet Croatia, nor Nazi Germany with Tito's Slovakia. Similarly, today Russia has in no way tightened its iron grip on its East European satellites by carrying through the solemn farce of this year's Warsaw treaty; nor does China's hold on North Korea depend on an alliance (has it, in fact, an alliance with the Pyongyang regime? and does anybody care?). It is thus as easy, and as meaningless, for the Communist powers to offer to wind up their formal alliances as it would have been for wartime Japan formally to liquidate its Co-Prosperity Sphere, or for Hitler to renounce his "New Order" in Europe.

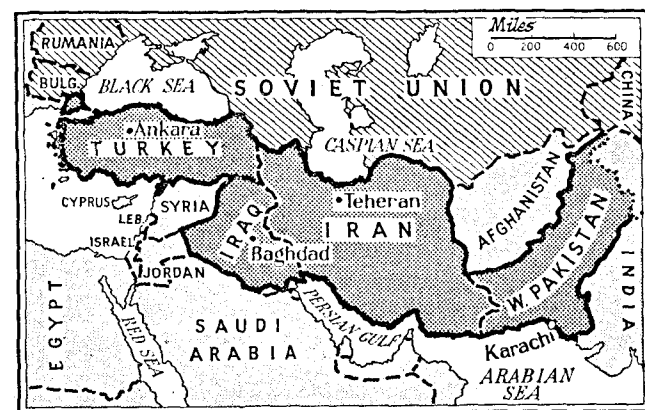
The free alliances, in direct contrast, are needed by their members precisely because their relationship is not that of serfs and slave-owners, and because their partnership helps them to withstand Communist efforts to "exploit the internal contradictions in the opposing camp." The existence of those "contradictions" is both undeniable and natural—again, simply because the allied free nations are free partners, and the only means of limiting them is self-control. Strong allies are at least as responsible in this matter as their weaker partners, and even their opposition politicians must share that responsibility. These latter need frequent reminders of the damage their utterances from party platforms—German, American, British or whatever—can do to the fabric of their nations' friendships.

Susceptibility Week in Baghdad

So there is now a "Meto"—a Middle East treaty organisation—to fill the gap that used to yawn between Nato and Seato. This is the outcome of the meeting of like minds from Turkey, Iraq, Iran, Pakistan and Britain that has just taken place in Baghdad. The child now brought into the world is much less sturdy than either of its still-born forebears would have been—either the Allied Middle East Command conceived in 1951, or the Middle East Defence Organisation proposed in 1953—for both of these had a backbone; both provided for a joint active, or "reactivable," base at Suez. "Meto" hymns goodwill, abhors bases, and covers practical down-to-earth arrangements only where these existed already—as between Turkey and Nato, for example, or between Britain and Iraq. In a word, the susceptibilities of the Asian members—meaning their nervousness of great-power dominance—prevailed over all other considerations, and the weakness of the Baghdad

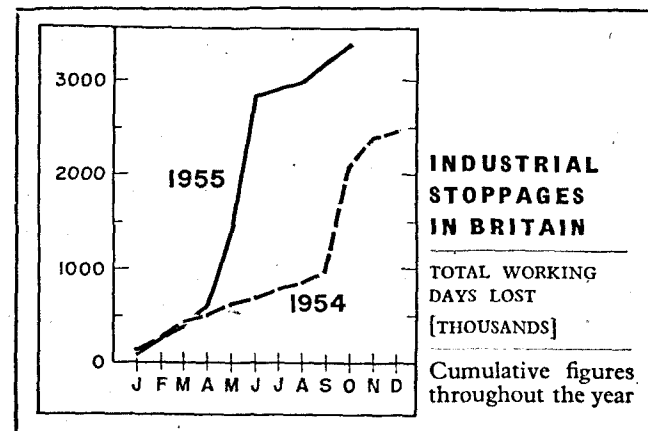
alliance is the weakness of its most susceptible link. While this mood prevails, the best its new military committee can hope to achieve is standardisation of weapons and training.

In the economic field, its sponsors sought more substantial results: if it leads to arrangements which channel all western aid to its members through a single agency, it will remove some of the wasteful duplication of effort that has so far proved a costly way of aiding the area. But those who hope for great new developments from the offers of aid—including "atomic aid"—advanced by Mr Macmillan and by American observers at Baghdad need to remember that up to now the principal limiting factor in Middle East development has been at the receiving, not the giving, end. Wherever western aid has failed to achieve its maximum



effect, the chief obstacle has, again, been Asian susceptibility, including a natural dislike for the everlasting role of pupil and a preference for doing things the Asian way. A further handicap has been Asian inability to gear the national machine to development at the desired pace owing to inexperience of the administrative work involved.

Before the Baghdad partnership can be rated a success, it must prove that, beginning in the economic field, it can mitigate these susceptibilities. If, at the regular meetings for which it has arranged, its Asian members were to become convinced that their western friends are no longer "colonial expansionists," and if mistrust were to be metamorphosed into trust, it could demonstrate to the whole Orient that quick change is possible without resort to Communist bulldozing. Only the pact's Asian members can set the tone that is needful to its success.



Failure of an Amnesty

THE Malayan Communists evidently believe that they are the masters of the situation, now that they have lured the Chief Ministers of the Federation and of Singapore into agreeing to direct talks on the conditions for a cease-fire. They now have a regular envoy keeping in touch with the Malayan government; he began by scooping some useful publicity and then made it clear that his masters would not discuss the amnesty at all. To make their point doubly clear, they have mounted a successful attack on one of the new villages from one of the safe areas set aside for Communists to surrender in—though in fact since September a mere handful have responded to the new offer. Either they wish to demonstrate, by their contempt for all conventions, their fixity of purpose and military strength, or they are "turning the heat" on what they believe to be a weak administration, already well softened up, and too far committed to ending the emergency to draw back at this stage. They are trying to show the Chief Minister, Tungku Abdul Rahman, and Malayan public opinion that they can hold out longer than the British said they could, and longer, perhaps, than the Tungku can.

It looks, however, as if for once they may have overreached themselves. The Tungku, already irritated by the long delay in their response to his offer to talk, and by the arrogance of their tone at the preliminaries, has responded toughly to the latest outrage; the safe areas have been withdrawn, the "shout before you shoot" rule has been rescinded, and only the terms of the amnesty stay. Once again the Tungku has said he can finish the Communists by force if he has to, though he is anxious to stop further bloodshed. Perhaps this will take effect. It is likely enough that the Communists' directive is to get out of the shooting war, now entirely out of keeping with the new international party line, and get into the profitable task of subversion, already paying such promising dividends in Singapore. They will earn bad marks in Peking for trying a bluff that failed—especially if the outcome is to strengthen the Tungku in the belief that it is unnecessary as well as foolish to relax in any way the terms of the government's offer for ending the fighting.

Mr Sandys's Sevenpence

IN the second reading debate on the Housing Subsidies Bill Mr Sandys pleaded persuasively—indeed, too persuasively—that the new arrangements for housing finance need cause nobody any real hardship. As Labour speakers (or rather the few that have got their arithmetic right) have pointed out, the combined effect of smaller Exchequer subsidies and higher interest rates will be to add more than 10s. a week to the cost of a new council house built for general purposes. But the Minister could report that an average annual increase of only 7d. a week, spread over the existing stock of 2½ million council houses, would provide local authorities with the extra funds needed to continue building at their present rate. Moreover only 2d.

of this 7d. will be due to the cut in subsidies (although it is true that there will be another 2d. to come when the transitional £10 subsidy on general housing is finally abolished). The other 5d. in the calculation is due to higher interest rates; and it is by no means certain that those higher interest rates will remain for ever.

Nevertheless, there were two reasons why Mr Sandys was unwise to lay so much emphasis on this "average" burden. The less important of these is that his emphasis may prove to be a political boomerang in some areas. Local authorities are unlikely to react to the new order as rationally or as uniformly as he tended to suggest. Some councils will add an additional sum to the rent increases to make up for increased repair costs. Others, by contrast, will funk putting up rents by the necessary amount and will prefer either to reduce their rate of building or to put a heavier burden on the rates—or to do both. Among the local authorities there will also be a small number of genuine hard cases. Some blitzed cities, for instance, have now relatively few slums, but a large amount of overcrowding, in tackling which they will apparently get no help.

The second reason why Mr Sandys was unwise to emphasise how small the "average" increase need be is that this may discourage local authorities from imposing much heavier-than-average increases on some tenants, while letting other rents stand still. The rents of most of the 1½ million prewar council houses are still low in relation both to their real present-day value and to the rents of postwar houses. The prewar tenant often pays around 12s. a week, while his postwar counterpart pays twice as much for a house situated double the distance from his place of work. Clearly it is the tenant of the prewar house who ought to be asked to bear the biggest increase now. The other sort of tenant who ought to pay much more, if the Government is going to try to bring about a proper use of all existing housing resources, is the tenant in certain types of privately owned but rent-restricted dwellings. Mr Sandys has still to decide what to do about the Rent Restriction Acts. He could easily be led to the wrong decision if he goes on trying to prove that no rents anywhere need rise by much.

Wages in Precept and Practice

THE general council of the Trades Union Congress has this week reminded Mr Gaitskell how to be a Butskell in Opposition. Its statement on economic policy is orthodox Labour Party stuff, singularly unimaginative, and ponderously responsible; in the circumstances these are admirable qualities in a document from which many trade unionists will catch a hint, but which very few unlucky people will have to read in full. The TUC's warning about the danger of a wage-price spiral does not, of course, mean that it is opposed to new wage demands; but it does indicate that it will not actively egg the more extravagant demands along. And this is important at a time when the flood of wage claims has reached a familiarly critical sector of the economy.

For the Transport Commission has this week received some formidable wage demands. The National Union of Railwaymen has asked for an increase of 10 per cent.

Having reacted so fiercely to the Budget, it could not even wait for its general secretary's return from the United States; but at least the claim—though high—is no higher than the figure that was discussed before October 26th. The Budget, on the other hand, has made a considerable difference to the attitude of the Transport Salaried Staff's Association. It still refuses to join the NUR in a joint claim, but it has moved a long way from its original argument that it would prefer a fall in the cost of living, and now asks for an extra 7½ per cent. The Associated Society of Locomotive Engineers and Firemen has not yet put in a money claim, but is first awaiting an answer to its demands for improved working conditions, adjustments in mileage allowances and a "full implementation of the 44-hour working week."

The commission, of course, cannot consider claims for improved conditions in isolation from wage demands. Even before it received this week's wage claims it had already been presented with large and costly demands by the NUR and the TSSA for shorter hours and for a third week's holiday. Against all this it had, at the end of last year, an accumulated deficit of £39 million; it lost several millions through the rail strike and has to pay out an extra £15½ million in wages; and the higher charges introduced in June will bring in only £25 million in a full year. The claims will therefore have to be pared down a good deal before they can even provide a basis for discussion. But this does not mean that Christmas will again be overshadowed by the threat of a rail strike. The unions are conscious that it is too soon to make a new trial of public sympathy, and of public willingness to stay at home.

No Core

NOT content with having turned a committee into a House and thus having temporarily killed a Bill, Parliament has learned this week that it has also compressed a terms of reference into an absurdity and thus temporarily throttled a Select Committee. The Select Committee on the Nationalised Industries, consisting of thirteen MPs from all three parties, has now issued its first report on all matters affecting the nationalised industries—outside its forbidden territory of questions which "clearly engage the responsibility of Ministers," matters of "day-to-day administration," wages and other questions that "fall to be considered through formal machinery established by the relevant statutes." The committee says, quite simply, that outside this wide-ranging forbidden territory, it considers that there are no matters of any interest to inquire into at all.

After this farce, there are three courses that Parliament can take if it is to exercise some degree of control over the nationalised industries. First, as Mr Herbert Morrison has always argued, it can content itself with debates on the Boards' own annual reports and on the reports of the independent (and non-parliamentary) committees which are to inquire into the working of the nationalised industries every seven years or so. Secondly, Parliament could set up its Select Committee again, but Ministers could be asked to be less naughty about claiming that so many matters "clearly engage" their own responsibility. (The layman cannot avoid the impression that, in their claims to responsibility before the latest committee, Ministers have been more

sweeping than they need.) Thirdly, Parliament can take Ministers' claims to responsibility at their face value, in which case the part that the affairs of the nationalised industries may play at Parliamentary question-time may substantially increase. On the whole, the second course would seem to be the best. But it may also be the one that Ministers would now feel to be the most embarrassing to follow.

Duet in Vienna

A PERIOD of coolness in official German-Austrian relations has ended as a result of Herr von Brentano's visit to Vienna. The chill set in last summer, when the Germans were shocked to find that the Austrian State treaty provided for confiscation of their assets in the western zones as well as those which the Russians had seized and which Austria is now buying back. Various long-established private German firms were to be treated as ruthlessly as, for example, the former Hermann Goering steel-works. Exceptions were made only for private property of a low value and for charitable institutions. Too hastily and too sharply, the Bonn foreign office sent a protest to Vienna, although Germany's legal rights had been relinquished in a blanket clause of the Paris treaties. At the same time, Dr Adenauer made a biting reference in the *Bundestag* to the Austrians' welcome to Hitler, and the German representative in Vienna was withdrawn.

It seemed that old scores might be brought up by both sides, but it is hard to quarrel with Austrians, and common-sense has prevailed. The Austrians showed themselves ready to do what they can to right justified German complaints—and there are some which cannot be dismissed—without violating the treaty, which forbids German property-owners to regain control of their old firms. It is probable that everything possible will be done to compensate the Germans, though their demands will be offset against Austrian counter-claims.

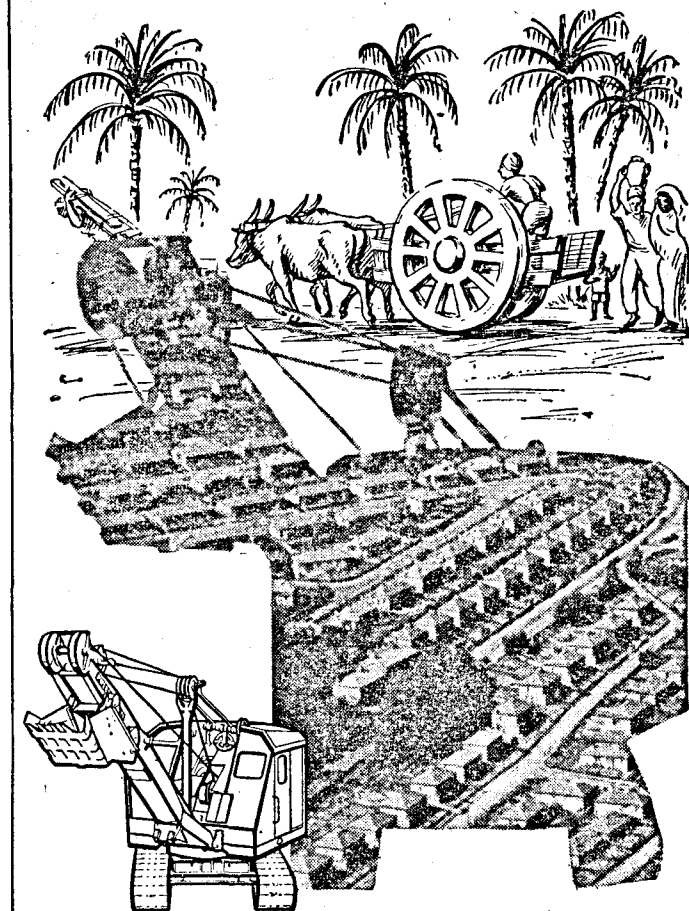
Precise ways and means of settling this complex matter were not the subject of Herr von Brentano's trip. He and the Austrians were concerned to establish friendly co-operation in general and their success will help to solve the economic dispute. An agreement has been reached to set up mixed commissions which will deal with all questions of German-Austrian relations and an exchange of diplomatic and consular representatives will follow soon. The German foreign minister also stated on his return to Bonn that the federal government of course recognises Austria's neutral status. This is a declaration which the Austrians would like formally repeated in the *Bundestag*—for the record.

Vietnam Courts London

ALTHOUGH Sir Anthony Eden shared with Mr Molotov the chairmanship of last year's Far Eastern conference in Geneva, this fact has hitherto commanded little attention in either Saigon or Hanoi. But the present coming and going of emissaries from the rival Vietnamese capitals

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suggests a new recognition in both of the importance of London. The co-chairmanship of the 1954 conference commits Britain to a strict interpretation of the agreements that ended the Indo-China war; and London, while no more "neutral" than Moscow, possesses a stronger aura of impartiality than either Paris, the seat of the former colonial power, or Washington, where Mr Diem has found his principal support.

The south Vietnam foreign secretary, Mr Vu Van Mau, paid a flying visit to London this week. He will doubtless have sounded the Foreign Office about Britain's attitude to the Geneva agreements now that south Vietnam has become a republic and is planning general elections. He may well have been tempted to ask whether Britain would regard these elections as making redundant the country-wide elections prescribed at Geneva. And it would be in keeping with the official purpose of his journeyings—described as a tour of inspection of diplomatic posts—that he should request British *agrément* for his nominee as Vietnam's first ambassador at the Court of St James.

Another visitor from Vietnam has come and gone with a minimum of publicity. Mr Nguyen Manh Ha, a former Catholic Action leader in north Vietnam and more recently an intermediary between the Viet Minh and exiled nationalists in Paris, came to England earlier in the month to attend a "world conference for colonial liberation" at Margate. After his visit the Viet Minh radio was enthusing over the proposal made by Mr William Warbey, MP, in a question in the House of Commons on November 7th, that Britain should open an embassy in Hanoi. Mr Warbey is reported to have been one of the names on Mr Ha's crowded list of engagements, which also included Mrs Pandit, the Indian High Commissioner. Mr Ha, whose plans to overthrow Mr Diem before the recent referendum badly misfired, left London for Hanoi after the conference at Margate.

If Mr Ha's visit was in any sense a tentative opening bid for British favours, it should now be clear to him that Mr Diem has a lead which he is unlikely to overtake on Ho Chi Minh's behalf. Whatever the demerits of the recent referendum that deposed Bao Dai, Mr Diem has undoubtedly emerged from it with his authority greatly enhanced. And, in view of the great efforts made by the Viet Minh to organise a boycott of the referendum, the fact that the percentage of abstentions was minimal amounted to a powerful rebuff to the Communists.

Doubletalk in Delhi

THE Foreign Office's verdict of "thoroughly hypocritical" on Marshal Bulganin's address to the Indian parliament was a typically British understatement. The marshal's speech was an insult to the intelligence of his hosts—all the more insulting because he clearly assumed that India's elected representatives provided as ignorant and unthinking an audience as a mass meeting of Ukrainian peasants, or a session of his own docile Supreme Soviet.

The marshal claimed that Russia had no military bases on foreign soil. It maintains, in fact, in Germany alone, more divisions than India's whole army could muster. He claimed "non-interference" in other countries' affairs as a cardinal Soviet principle. Indians have had ample oppor-

tunities of learning from Yugoslav visitors that the contrary is true. He repeated the fantastic assertion that he had already made to U Nu, that Russia—which the Chinese government hailed just a fortnight ago as "leader of the world camp of peace and democracy"—is opposed to all blocs. But Mr Khrushchev, as usual, outdid his nominal superior. Russia, he said, had been "forced" to make hydrogen bombs; he omitted to mention its rejection, ever since 1946, of repeated western offers to surrender all nuclear-weapons to a world authority. The October Revolution, said the head of the Soviet Communist party, was the most bloodless of its size in history; Communism had never been forced upon anyone (Indians who know Prague or Warsaw know better); he did not even wish to circulate propaganda, for Communists respected the individual conscience—"there are in our country persons who are not members of the party."

Marshal Bulganin, however, had earlier secured a head start in the doubletalk stakes by calling for wider international contacts as soon as he reached Delhi, just four days after Mr Molotov at Geneva had slammed the iron curtain down on every proposal for freer contact, movement and exchange of ideas. Mr Nehru, who, in contrast, is a genuine believer in free movement and free speech as vital conditions of peace, may already have queried his guests on this contradiction. Some Indians may also have noted that while Mr Khrushchev was praising Russo-Indian friendship, Mr Molotov in Berlin was praising Russo-German friendship; and that, while both the Russians were speaking, cattle-trucks full of German prisoners whose release had been promised were being reversed back into Russia because the Federal German government's behaviour did not please Moscow's eyes—so the Soviet German puppet premier admitted at the weekend. "Friendship" has evidently joined "democracy" and "peace" in Mr Khrushchev's standard dictionary of doubletalk.

Trade Unions and the Law

THERE are indications that the general council of the Trades Union Congress is examining very carefully the consequences of the recent Bonsor judgment, which showed that a trade union can be sued by one of its own members for breach of contract. Certainly some trade unions consider the implications of this case to be shattering. In the December issue of *Labour Research*, Mr O. H. Parsons, a practising solicitor experienced in trade union work, maintains:

The vital importance of the Bonsor decision lies in its effects on industrial disputes. Most industrial agreements contain an arbitration clause. If there is a strike before arbitration is exhausted, that is a breach of the agreement. If the union makes the strike official and pays strike pay, it is aiding and abetting the breach of the agreement and is causing damage to the employers thereby.

Mr Parsons concludes that the unions are now where they were after the "infamous Taff Vale judgment" of 1901.

Another legal view, however, is that the Bonsor judgment has established nothing new, other than the light it has thrown on the relationship between a union and its own members. The Act of 1906 removed the right of

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employers to sue a union for tort (which was the issue in the Taff Vale case), but the right of employers to sue for breach of contract remained—and some solicitors say that they always knew it remained. Why then have employers not made frequent claims for damages against unions that have called strikes in contravention of an agreement not to do so until arbitration machinery has been exhausted?

Assuming that employers knew what their legal rights were, there seem to be three main answers. First, Section 4 of the Act of 1871 specified certain kinds of contract which should be unenforceable in the courts, and one of these was an agreement between trade unions. Since many industrial agreements are made between the employers on the one hand and more than one union on the other, they would be unenforceable in the courts. Secondly, even where employers could sue for breach of contract, they would be likely to think that it would be unprofitable further to embitter relations with the union by doing so. Thirdly, the majority of strikes, at least since the war, have been unofficial strikes, in which the unions have not been concerned. In those that have been official, such as the strike of engine crews in the summer, the prescribed procedure has usually been followed. This has not always been true of some strike threats, including possibly some railway strike threats. But as those threats succeeded, there was no breach of contract.

Teachers Unimpressed

THE National Union of Teachers is almost as angry about the new scheme for teachers' pensions as it was about the one that Dame Florence Horsbrugh tried to introduce, and a conference on Saturday instructed the executive to employ all the union's resources to defeat it. The general secretary argued that the raising of the contribution from 5 to 6 per cent was equivalent to a cut in salary at a time when everyone else was getting increases; that local authorities carried a smaller proportion of the cost than any other employers; and that they were almost alone among modern employers in not shouldering the cost to pensions of higher salaries, longer expectation of life and earlier retirement ages. It therefore seems probable that MPs and others must expect the same shoal of protesting letters, and of visits from indignant teacher-constituents, as they had to bear at the time of the Horsbrugh Bill.

But this time they should stand fast. Even although their union does not seem to realise it, teachers have been given a very important concession in the Eccles proposals—namely that in future their employers will be solely responsible for any changes in contributions that are needed to keep the fund solvent. In an age of inflation by far the best kind of pension to have is one based upon the salary earned at the time of retirement, rather than one which offers a set sum that is calculated actuarially. Teachers have always enjoyed pensions based on pre-retirement salaries, but hitherto they have been supposed to pay for it by contributions to an actuarial fund. Under the Eccles proposals, that actuarial principle will be abandoned. Compared with most of the rest of us pensioners-to-be, teachers are very lucky people now.

The Ban on Heroin

THERE are only some fifty-four heroin addicts in Great Britain; indeed, addiction to manufactured drugs of any sort is not a serious problem, nor is it in itself a crime. In some other countries, addiction, especially to heroin, is—to quote the Minister of Health—"a very substantial social evil"; and the ban on manufacturing heroin in Britain after December 31st has been imposed to foster international good will. The Government is falling in line with a recommendation of the World Health Organisation (itself acting at the request of the Permanent Central Opium Board), and is reducing the licit supplies from which the illicit international traffic can be fed.

Before imposing the ban, the Home Secretary consulted the Minister of Health; and the Minister of Health consulted the standing medical advisory committee of the Central Health Services Council, which advised him that satisfactory substitutes for heroin are now available. But this advice has since been repudiated by individual doctors up and down the country, who maintain that for some conditions, particularly extreme pain and certain coughs, heroin is the only effective prescription. In apparent support of their view, some hospitals are, it is said, laying in stocks of the drug. Why, these doctors ask, should patients, however few, be deprived of an essential drug in order that Britain may conform with the wishes of an international body anxious to stamp out heroin addiction in other countries?

Short of submitting to being a guinea pig, the layman will find it difficult to take sides—at least until he has been given the answer to several questions. Are the upholders of heroin in fact seizing the chance to express resentment at interference with clinical practice? Are Mr Lloyd George and Mr Macleod persisting in maintaining the ban merely because they are afraid of losing face abroad? Could they not first try the effect of a ban on exports of heroin and allow manufacture to continue for home consumption only? Have they considered the warning of an American doctor who spoke to the international congress on criminology in London in September? In the United States, he said, the ban on heroin had made the addiction problem worse, for it had turned addicts into criminals and promoted all the racketeering associated with an illegal trade. Is the Home Office convinced that there is no danger of the same thing happening here?

Hammer Cut Sickle?

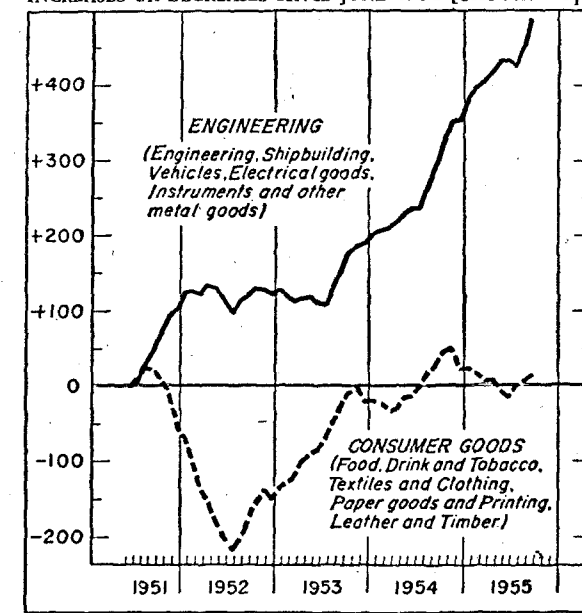
MR KHRUSHCHEV has recently been trying to file away at the resolution of Canada, as well as of the two countries that form the wings of the Nato crescent in Europe, Turkey and Norway; and his tools have been his now familiar ones of joviality and the half-concealed bludgeon. Earlier this month, at a dinner held in Moscow to celebrate the Bandoeng conference, he explained to the Turkish Ambassador that past misunderstandings between the two countries—including Russia's denunciation of

their treaty of friendship and Russian claims to parts of north-eastern Turkey—were, like the quarrel with Yugoslavia, all the fault of the executed Beria. The Turks, said Mr Khrushchev, ought to quit Nato while they could, for they would be "the first to be eaten up if there was any difficulty." Fortunately his euphemisms show no signs of weakening Turkey either in its loyalty to Nato or in its enthusiasm for the Baghdad pact.

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No doubt the same kind of argument was put to Mr Gerhardsen, the Norwegian premier, during his recent visit to Moscow. The Russian leaders obtained from Mr Gerhardsen a repetition of the 1949 assurance that Norway would not allow foreign bases to be set up on its soil unless it were attacked or directly threatened. But the clearest *exposé* of Russian tactics has been given by Mr Khrushchev in his conversations with Mr Lester Pearson during the Canadian foreign minister's recent visit to Russia. He dropped dark hints about Russia's trans-Arctic guided missiles, and promised that if Canada was still in Nato when a war started it would be "right in the firing line." (Clearly Moscow is intent on emphasising to the free world that there will be no rear areas or rest zones in any future battlefield.) He went on to say that he believed the democracies "would not accept the sacrifices that prolonged defence expenditures involved" and that Nato would eventually "fall apart." Mr Khrushchev has stated the West's problem lucidly. If tension persists in the world, the fainter-hearted members of the western alliance will tend to flinch away; if tension is relaxed, they will assume that the burdens of communal defence can be abandoned. It is small wonder that Mr Molotov can afford to be so blunt and brusque at Geneva when, by alternating promises of amity with threats of obliteration, Russian diplomacy stands to achieve so much elsewhere.

CHANGES IN EMPLOYMENT
in GREAT BRITAIN
INCREASES OR DECREASES SINCE JUNE 1951 [THOUSANDS]



Turkey's Freedom Party

THE nineteen Turkish deputies who (as described in *The Economist* of October 22nd) fell foul of Mr Menderes over the application of the press law and either resigned or were expelled from the Democrat party, have now set up a new party. They have called it the *Hurriyet* or Freedom party; and in view of the cavalier attitude adopted by the Turkish prime minister towards democratic liberties, particularly those of the press and the universities, the name is sadly appropriate. Paradoxically, the present Turkish government, which in its foreign policy shows a lively sense of the need to guard against Communist totalitarianism, in its domestic policies is showing a grave tendency to slip back towards authoritarian rule.

It is too early to say how much influence the new party is likely to have. At present its numbers are small—twenty-one in all—but its quality is high; it contains several former cabinet ministers and founder members of the Democrat party. Discontent with the Democrats' present leadership seems fairly widespread among the rank and file. The obedient party congress which last month put its rubber stamp on all that Mr Menderes had to say was not an altogether reliable guide to the real state of mind within the party, since a good many of the more critical delegates were not allowed to attend. Moreover, the surprisingly strong opposition to many of the Democrat party's candidates at the recent municipal elections suggests that dissatisfaction is growing among the general public. The new party is better placed to resist the present trend away from democratic ways than is the People's Republican party, for it has no authoritarian past of its own to live down. If it is given a fair run for its money, it may provide a focal point for many different strands of constructive criticism as well as of discontent.

Lights Flicker in South Korea

THE severe power shortage that has put the lights out in South Korea in recent weeks has given the North Korean Communists another opportunity to try to inveigle Dr Syngman Rhee into intergovernmental talks. Their minister of electricity, Mr Kim Tu Sam, has announced that the north can meet the requirements of the whole peninsula (most of Korea's natural power resources lie in the more mountainous north, which sent supplies southwards as late as 1948). He offered to transmit power for the use of "peaceful industrial establishments" as well as domestic purposes, on condition that the South Koreans sent a delegation to Kaesong to discuss arrangements. The offer has been rejected by the south, although it is undoubtedly in acute difficulties, since it would have been the first step towards recognition of the Pyongyang regime. The Communists' proposal is not the first of its kind—they have long been calling for a joint conference on fisheries—and it represents what is by now a familiar technique in divided countries where they know that general elections would mean defeat.

A breakdown in a transformer, and the withdrawal by the Americans of two generating ships, have contributed to the South Koreans' power problems. They now claim that by next March new construction, aided by American funds, will have overcome most of the difficulties; and last week Dr Rhee opened a reservoir thirty miles north of the 38th Parallel, close to the truce line, which will provide Korea's second largest source of hydro-electric power. Meanwhile the population in the south has to steel itself to face a bleak winter. All electricity for private use will be cut off, except for a five-hour period each day after sunset; basic industries will get only 18 hours' supply daily, and other kinds of industry a good deal less. In October over 1,200 people who were caught illegally using power were handed over to the tender mercies of the South Korean police, and those who offend in future will be completely deprived of electricity until the end of 1956. Dr Rhee is wise to refuse the Communist bait; as the UN Assembly's political committee emphasised this week, the only safe road to unity in Korea lies through properly supervised general elections. But the coming months are likely to provide a severe test for the resolution and loyalty of his subjects.

America and Europe

It cannot, we fear, be denied that, in the contest which we are now carrying on with the gigantic despot of Northern Europe, the feelings and wishes of a considerable portion of the citizens of the United States are not with us, but against us. This is explicable enough; there are many reasons for it, some creditable, some much the reverse. Russia and America are both great slaveholders; both are given to aggression and territorial aggrandisement; both indulge in dreams of universal dominion; the one aspires to the supremacy in the Old World; the other to the sovereignty of the New. As yet there is no rivalry between them; nor can there be for generations; nor need there ever be. They come into collision nowhere; their commercial interests are nowhere competitive or hostile. The Russians, moreover, have taken considerable pains to cultivate the personal goodwill of the Americans, especially of the travellers and manufacturers of the great Republic; and of late they have purchased "golden opinions" among the industrial interests by large orders for machinery, ships and other articles of American production. Great Britain, on the other hand, though the best customer and the closest business connection of America, is also everywhere her commercial rival and most formidable competitor; and severe competition, in narrow minds, often breeds incipient enmity. The Americans, too, have a strong impression that we are haughty and dictatorial, and they would not be sorry to see us humbled. . . . Now, we may fairly allow . . . that a slight and transient jealousy may be excused on the part of a young and powerful State of vast energy and unlimited pretensions. But we have no hesitation in saying that this jealousy and uneasiness ought not to be shared or encouraged by reflecting and honourable Americans. They should leave it to the filibusters, the annexers, the slave-dealing Southerners, the Western barbarians. For it is only such that have anything to dread from French and British interference. The alliance between France and England can be dangerous to no American designs *except such as cannot be openly avowed*: it is hostile to no pretensions except such swollen and aggressive ones as ought not to be for a moment entertained.

The Economist

November 24, 1855



Perfect weather for his **water-resistant** watch!



TRUE, there is no water. But look at the dust; think of the sand, and the humidity. What sort of watch will keep them out? Only a water-resistant watch. The Swiss make their water-resistant watches to keep out everything!

It doesn't matter whether you're caught in a rainstorm or a sandstorm—sealed in its special case, the fine Swiss jewelled-lever movement ticks on untroubled.

Any good jeweller will show you how the Swiss water-resistant seal works. He can show you other exciting Swiss watches too—that never need winding, that show the date as well as the time; watches that record the tides, and the phases of the moon . . . beautiful ladies' watches in exquisite settings.

Whatever sort of watch you're looking for—see that the one you choose is Swiss. There are no other watches like them.

Your jeweller's knowledge is your safeguard

Time is the art of the Swiss

Buy from a jeweller, who can service a watch as well as sell it. His advice is skilled and knowledgeable—and very

SWISS FEDERATION OF



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Letters to the Editor

Parkinson's Law

SIR—We owe you and your unknown, but obviously knowing, correspondent thanks for his exposition of Parkinson's law. I know Parkinson. He is one of an élite who during the past decade discovered such laws as Tawney's—that the better-off and more equal becomes a mass-democracy, the emptier become titles of personal distinction, but the more they multiply and are striven for; or Herbert's—that the more a state rules and regulates individuals' behaviour, the more crimes and criminals multiply, prisons overspill, and police fall short; or the first law of thermoeconomics (the Coal Board, *alias* Alice's, law)—that the more new capital is sunk down coalmines, the less coal is produced; or the inverse Kipling law—that the airier, more tenuous, and more centrifugal an empire becomes, the louder and more lyrical become its laudators; or Butskell's and Gaitler's law—that reduction of a money's purchasing power by 4 to 5 per cent per annum brings overfull employment, indistinguishable party policies, and a quiet life.

Such laws, being British, have no connection with the Russian law of self-help (by smiles), the French political law (*plus ça change . . .*), the Latin American political law (*plus c'est la même chose, plus ça change*), and the Norteamericano social law vulgarly epitomised as "Sure he's cheatin'; it's his Deal, ain't it?" All these laws of our time of troubles await a Toynbee.—Yours faithfully, GRAHAM HUTTON
Abingdon, Berks

SIR—It appears from your correspondent's evidence that the annual rate of pure staff accumulation (expressed as an average over a period of years) was approximately 5½ per cent prewar, but in the postwar period is 6½ per cent. Is there perhaps a tendency for an increasing rate of pure staff accumulation?

This would appear to be confirmed (as is the whole analysis of your correspondent) from statistics of the National Coal Board. These show an increase in "real salaries" (money salaries/cost of living) in the NCB from 1947 to 1954 of 44 per cent, or an average of 6.3 per cent per annum. As your correspondent points out, the rise is unrelated to the volume of work. The output of coal over the period rose by only 13 per cent; from 1952 to 1954 "real salaries" rose by 10 per cent while coal output increased not at all. Nor could the 44 per cent rise in "real salaries" be said to

be a response to rising wages in mining (as institutionalists might claim), for the "real wage bill" increased only 17 per cent over the period.—Yours faithfully, JOHN HUGHES
Sheffield, 7

SIR—The enunciation of Parkinson's law by your correspondent on November 19th is a most important event in the history of administration. The law, however, should be extended to research establishments and the work that they do as they increase in size.

One problem within such establishments is to maintain liaison in order to get a cross-fertilisation of ideas and to prevent duplication of work. It may be assumed as a first approximation that the amount of time which any individual worker has to spend in this task is proportional to the total number of other workers in the establishment. This means, therefore, that the amount of time that he has to spare for his own operations is proportional to (A—kN), where A is the number of hours in the week, N is the number of workers in the establishment and k is the time spent in liaising with each other worker in the establishment on an average. The total output of the establishment may, therefore, be assumed to be proportional to N(A—kN).

This function rises rapidly at first, but passes through a maximum and then declines, becomes zero and may ultimately become negative. The possibility of negative output from a large research establishment arises from the assumption that a man can spend more than the whole of his working week in liaison with other men. Even the most hard-pressed research worker will rarely do this, and I think it fair to say, therefore, that one should restrict the application of this law to the point at which the total output of the establishment becomes zero.—Yours faithfully, TECHNOLOGIST

SIR—I was most interested to read your botanist's account of recent manifestations of Parkinson's Law in the Civil Service. Frankly, until then, I was under the impression that since the big clean-up which followed Florence Nightingale's indictment of Foreign Office incompetence during the Crimean War, the Law had become out of date. But I must confess to lack the opportunities of your correspondent for watching other people at work and for studying just how fast and cunningly the weeds grow.

To take his theory a little further, I had a look at the figures for the Depart-

ment to which "E" hopes to transfer, the Ministry of Pensions and National Insurance. Surely the thousands who flocked to what was the Ministry of National Insurance in 1948 must have multiplied a good deal since then? On the contrary, I found that although, as a Department, it has steadily taken on more and more work, for example, of war pensions and welfare foods, its numbers have steadily declined. The figures from the Digest of Statistics are as follows:

<i>Ministry of National Insurance</i> :—	
April, 1949.....	38,506
" 1950.....	35,539
" 1951.....	34,596
Jan., 1952.....	33,895
Oct., 1952.....	33,118
(On September 1, 1953, 9,181 were transferred from the Ministry of Pensions on the merging of the two Departments).	
<i>Ministry of Pensions and National Insurance</i> :—	
Oct., 1953.....	37,913
April, 1954.....	37,720
Oct., 1955.....	37,306

This seems to indicate a reduction of 4,993 since 1.9.53, or a decrease of rather nearer 12 per cent, than the increase of 5.89 per cent each year propounded by Parkinson's Law. Can it be that this Department is a victim, not of Parkinson's Law but of Parkinson's Disease, or am I on the verge of some new discovery about the eyesight of correspondents and MPs who devote themselves dangerously to watching men at work?—Yours faithfully,

H. TREVOR WOOLSTON
Editor

"Civil Service Opinion"

Better Neighbours in the Pacific

SIR—The final sentence of your article of October 15th reads: "If the non-Communist nations in the Pacific are to preserve any kind of unity, Japan must tread quietly in the presence of those who have bitter memories of the 1940s."

In my opinion the principal weakness of the free world position is the great importance placed on surface appearances. By suggesting that Japan "tread quietly" we are recognising that Japan still has its aggressive aims and are simply urging it to hide them temporarily, until other countries forget and let down their guard. Increasing evidence shows Japan either pro-Communist or conceitedly planning to make a marriage of convenience to be dissolved after Japan achieves domination over all Asia.

The optimistic tone of your article apparently was based on two news items, one concerning Philippine-Japanese problems—still a long way from solution—and the other Korea's move to purchase fertiliser from Japan. By this time you already know how Japan rebuffed us. In addition to asking a price much higher than that quoted by other countries, Japan refused to promise delivery of more than a small portion of the quantity asked and that six to eight months after the date specified.

The problem of Koreans detained in the Omura prison camp in Japan exists because Japan refuses to recognise Korea's independence and conclude a friendship treaty. Japan still lays claim to eighty-five per cent of the property in Korea despite relinquishing all title to it in signing the Peace Treaty. As long as the Japanese contend that the Republic of Korea Government was created in violation of international law, and refuse to recognise the outcome of World War II, there is little chance for close relations between Korea and Japan.

The logical course in the present situation is for the countries which united to defeat Japan jointly to insist that Japan respect the terms of the Peace Treaty and show real evidence of a democratic spirit.—Yours faithfully,

J. C. KIM for M. M. LEE,
Minister of the Republic of Korea
Korean Legation, London

[Japan will be wise to "tread quietly" by giving what compensation it can for wartime injuries; and by making allowance for its neighbours' bitter memories. But to say this is not to suggest that Japan now has the same aggressive aims as it had in 1941.—EDITOR.]

An Established Church?

SIR—You are in error when you describe the Queen's Lord High Commissioner as "presiding over the General Assembly of the Church of Scotland." He does not preside. In his official capacity, he is not a member of the Assembly. He does not even sit "inside" the House. The Assembly begins, continues, and ends its business without the leave or consent of the Queen's Lord High Commissioner. The struggles of centuries are dramatised in the ritual that the Lord High Commissioner only addresses the Assembly after formal leave of the Assembly.—Yours faithfully, JOHN BUYERS
The University, Glasgow

Afghan Ambitions

SIR—You stated in your issue of November 12th that the first Afghan War was the direct result of Dost Mohamed's bid for Russian help against the Sikh kingdom. Surely this is not the whole truth. Dost Mohamed would have preferred a British alliance, but Alexander Burns, the political agent of the Indian Government at Kabul, was not empowered to offer him a "quid pro quo."

The Dost's agreement meant little because Orenburg, the nearest Russian base, was 2,000 miles away. Yet in October, 1838, Palmerston was writing to Clanricarde, the British ambassador at St Petersburg, that the Russian menace was so great that "Auckland [the Governor-General] has been told to take Afghanistan in hand and make it a British dependency." It was a war of aggression prosecuted for unreal political and strategic ends.—Yours faithfully,

DOUGLAS GOURLAY
Masham, near Ripon.

Books & Publications

Now We Know

THE BRITISH GENERAL ELECTION OF 1955. *Sponsored by Nuffield College, Oxford.*
By D. E. Butler.
Macmillan. 236 pages. 24s.

AT ten o'clock on the night of May 26, 1955, half the adult population of Britain was looking at the face of Mr David Butler. The fact that he was able to intimate who had won the election after the very first result, and that his first forecasts of the Conservative majority were some forty or fifty too high, contributed in about equal measure to making a substantial minority of that mass audience exceedingly irritated with him. There could be no greater tribute to the progress of psephology, of which he is now the most public priest. The study of swings, which until so recently had been regarded as a fanciful and theoretical abstraction, was being derided because it is not an exact science.

A wry appreciation of this compliment runs through Mr Butler's book. The greater part of the book, of course, is not concerned with statistics at all. With the aid of four collaborators, Mr Butler is chiefly concerned to set down a first-class journalistic account of the election, as raw material for future historians. The story of extraordinary Conservative good luck just before the campaign, of continuing Labour dispiritedness during it, of the purr and the clanking of rival constituency organisations, of the role of the trade unions (this in a revealing appendix by Mr Martin Harrison), and of the broadcasting battle is told with just sufficient touches of humour to keep it a-sparkle. ("The Liberal candidate who maintained that trade unionists should be whipped through the streets like harlots was not in the main stream of Liberal thought." "The Labour candidate . . . said that he himself was not a Bevanite, but there was always a need for an active and vocal left wing to do for Labour what Lloyd George had done for the Liberals in his early days. No opponent was churlish enough to press the parallel further.") If one searches for criticisms to make of this part of the book, one can find in it only two minor respects. There is perhaps not enough research into how the generally progressive stream of Conservative candidates managed to avoid friction with the reactionary people who were the key amateur figures in so many of their local organisations. And there is nothing at all about the extraordinary

things that went on at Labour headquarters during the campaign; history will have a right to know about them.

It is only at the end of his book that Mr Butler turns from these impressionistic studies to the sifting of statistics for which he is most famous. The average swing in Great Britain, he says, with the gleam in his eye almost showing through the printed pages, was 1.6 per cent; and it was much more uniform than some people have suggested ("Only East Anglia, Cornwall, rural Wales, and North East Scotland had swings notably below the average; only the Midlands area had swings markedly above it."). Yet, Mr Butler agrees, the Conservative majority was twelve smaller than this swing should have caused, according to empirical pre-election calculations. He produces from his correlations one principal explanation for this discrepancy. The average swing against Labour was 0.3 per cent smaller in those constituencies where a sitting Labour member was involved; if this widespread benefit from "squatters' rights" had been foreseen before the election, the swingsters could have got their calculations of the majority almost exactly right.

With this discovery underneath his slide rule, Mr Butler is inclined, perhaps a little too inclined, to discount the other statistical quirks of the election. He is concerned to rebut the argument that there were no conversions from Labour to Conservatism in this election, that there were only conversions from Labour to the "don't cares and won't vote." It is not true that the swing to the Conservatives was greatest in those areas where the drop in turn-out was greatest; and Mr Butler believes that abstentions were much more bi-partisan than has been commonly supposed. He also does not agree that variations in the efficiency of local organisations (although they were immense) had as much effect upon the result as Mr Harold Wilson assumes; before the election Mr Butler asked the party organisers, in confidence, which they considered to be their best and worst local machines, and the answers they gave bore no recognisable correlation to the actual results. Although he would like to believe that politics may after all be healthily influenced by personalities, he is plainly still more than half-inclined to accept the old adage that "no candidate or organisation is worth more than 500 votes."

The upshot is that he believes that—

with the principal and possible exception of the discovery that squatters' rights may slow the swing of the pendulum—the statistical side of psephology stands very much where it did. At the next election it should take a swing of just over 2 per cent to bring Labour back to power, and if one assumes that the phenomenon of "squatters' rights" is repeated, then this average swing would have to be increased to . . . But no matter. The student of elections can now thankfully file away the figures in Mr Butler's appendix for another four years. They will be very useful then.

Man and His Past

THE HISTORY OF MAN: *from the first Human to Primitive Culture and Beyond.* By Carleton S. Coon. Cape. 450 pages. 28s.

THIS book may be warmly recommended to anyone interested in mankind, as distinct from particular individuals or societies. It treats of human history in a way that illuminates, or at least sets in perspective, some of the outstanding problems that confront humanity today. Professor Carleton Coon treats his immense subject in the comprehensive fashion one might expect of an anthropologist with an exceptionally wide range: his approach is global and his treatment biological in the sense that his prime concern is with life.

Mr Coon's thesis is that the choice before us today between peace with abundance and war with poverty (if not extermination) is the logical outcome, not of modern history but of history as a whole; and, equally, that the most dangerous obstacles to the unified culture demanded by modern science and technology are legacies of the more or less remote prehistoric past. When we look back over history, we find evidence for an ever-accelerating advance in the control of natural forces together with an increasing subdivision of labour and complexity of institutions: first the emergence in the frost-free zone of the Old World of small communities based on hunting and gathering, followed towards the end of the Ice Age by the expansion of more advanced hunters over the colder territories of the Old World and into the New; then the origin of settled civilisation based on farming and later also on metallurgy and writing, civilisations which tended to diverge as they developed and spread; and, finally, beginning with the age of gun-powder, printing and geographical discovery, a trend towards unification, a trend which with the growth of modern industry and science took on more and more of the character of a remorseless drive towards a universal technology and a single world-wide civilisation. The outstanding question is whether this final process can be carried to its logical conclusion without the wars which have speeded up its earlier stages.

Here we have to reckon with the survival of old patterns of thought and behaviour. There is first of all the fact

that men are only partly tamed and conditioned to life in large-scale social units—they have been fashioned by, and have spent almost the whole of their history practising, a purely predatory form of economy in small social groups in conditions far removed from those under which almost all of them have to live today. Secondly, although societies based on hunting and fishing can be ignored as factors in world politics, those whose members "still live in villages and perform tasks invented by Neolithic men" assuredly cannot: indeed, Mr Coon would regard the survival of this Neolithic mentality and way of life as a major "impediment to global peace and unity." Many of our worst problems in Africa and Asia (and even to some degree in Europe also) stem from this cultural lag, or rather from a realisation of the inequality this involves—a realisation made easier by modern means of travel and entertainment and more bitter from the fact that too often it coincides with more or less pronounced racial differences.

Although the author is only too well aware of the dangers of living at a climax of world history—like a true American he seems to sleep with the atomic bomb under his pillow—his book is far from gloomy and not at all portentous. He tells a lively story, uninhibited by academic caution, but well informed and honest where controversial, and his illustrations are often illuminating.

The Blackguard

HORATIO BOTTOMLEY.
By Julian Symons.
The Cresset Press. 287 pages. 21s.

THIS is a readable biography, but it contains one or two glaring inaccuracies—not important in themselves but bad enough to make the reader wonder how much care has been given to checking other facts that really do matter.

Bottomley was born of working class parents both of whom died in his early boyhood. His mother's brother was that sturdy fighter for Socialism and rationalism, G. J. Holyoake; and Holyoake, having first helped his orphan nephew with money, got him placed in an orphanage in Birmingham. It was characteristic of the adult Bottomley that in the days of his prosperity he went back regularly to the orphanage and, in the role of old boy made good, spent money freely on the entertainment of the children. On these visits he was usually accompanied by an attractive girl whom he introduced as his niece; and on every visit it was a different niece.

As a very young man he started a concern grandiloquently called the Hansard Publishing Union Limited. The tricks he played with its finance led him to the dock at the Old Bailey, where he defended himself successfully against the Attorney-General and was told after the trial by Sir Edward Clarke that his future career should be "one of distinction and high repute." In 1906 he was

elected MP for Hackney and in both of the elections in 1910 he was returned again. In 1911 or 1912 he went bankrupt and in 1912 he retired from Parliament. In 1918 he got his discharge and was again elected. Roughly speaking, he was an undischarged bankrupt whenever he was not an MP and an MP whenever he was not an undischarged bankrupt.

Throughout the years of his bankruptcy he was spending money like water, living on champagne, playing the part of country squire, editing newspapers, stumping the country as the great commoner, blackmailing right and left, making £7,800 a year out of religious articles that had been ghosted for him, organising fraudulent sweepstakes and finally running the war loan fraud which landed him in Wormwood Scrubbs en route for Maidstone. Bottomley was in fact the complete blackguard. In his whole make-up there was not an ounce of decency, sincerity, morality or loyalty. And what is more remarkable—the blackguardism was obvious to anyone with half an eye to distinguish good from bad. At the first meeting of the Hansard Union a shareholder who had never seen him before left the hall after Bottomley had been speaking for a few minutes and went straight off to his stockbrokers to give them an order to sell his holding. Yet the man mesmerised crowds and readers for twenty years, and was openly spoken of as the next prime minister. How was it done? There is no answer.

The South Sea Bubble left behind it nothing except two very respectable insurance offices. Bottomley left nothing at all, but three concerns with which he was connected do remain—the newspaper *John Bull*, a financial newspaper and the printing works which set the type you are now reading.

Currency Warfare

HITLER'S PAPER WEAPON.
By Wilhelm Höttl. Translated by Basil Creighton.
Hart-Davis. 187 pages. 15s.

IN total war, the only criteria in deciding whether to make use of a new weapon are its effectiveness and the possibility of boomerang consequences. In the last war, both belligerents examined at an early stage schemes for breaking the economy of the enemy's country by the introduction (probably from the air) of large numbers of forged currency notes. The idea was rejected in this country, principally on the grounds of impracticability. It is interesting to find from Dr Höttl's book that it was also rejected as impractical in Germany.

Here the similarity in policy of the two countries ended, since England contrived, with American help, to secure the minimum of foreign currency necessary for its war needs, while Germany suffered from an acute shortage of foreign currency. The German Secret Service, therefore, forged considerable quantities of Bank of England notes and

used them for its own purposes in other countries. Hitler himself agreed to this, though he forbade the forging of dollar notes while the United States was neutral. Their use, moreover, was prohibited in occupied or friendly countries, where the Nazi government was interested in the stabilisation of the local currency. It seems, in fact, to have always been regarded as a definitely Secret Service operation, which the less flamboyant Nazi leaders avoided like the plague.

Dr Höttl's book is the remarkable story of Operation Bernhard, as the making and circulation of these notes were called. Dr Höttl, a young Austrian historian, was recruited soon after the Anschluss for the Nazi political Secret Service; with short periods when he was in disgrace, he operated in the section dealing with the Balkans and Italy, first in ascertaining how the forged Hungarian franc notes were distributed in 1935, and later on general political work. He maintains that he was neither a manufacturer nor a distributor of forged notes himself, but he was clearly associated with both and describes the two processes with obviously close knowledge. The rest of the book is pure cloak-and-dagger stuff. It describes various operations (in some of which Dr Höttl was personally concerned and which were all financed by forged English notes), including the release of Mussolini, the escape of the Cianos, and the proposed purchase of supplies for the famous Alpine stronghold.

It is possibly the result, in part, of a certain disingenuousness about his own position that Dr Höttl, while providing some good cloak-and-dagger writing for the public, adds little to what was already known of Operation Bernhard from a technical-point of view. Nor does he produce much evidence in support of his fears that the Russians may have acquired some expert technique from those concerned in the operation. In any case, much of the information would presumably now be out of date.

Divided Germany

WESTERN GERMANY: from defeat to rearmament.
by Alfred Grosser.
Translated by Richard Rees.
Allen and Unwin. 249 pages. 18s.

M. GROSSER'S "L'Allemagne de l'Occident, 1945-52," has been a most useful compendium on postwar Western Germany since its publication two and a half years ago. Here, at last, is an English translation. Despite some slightly misleading minor slips, it is excellent and, moreover, has given the author the opportunity to revise the bulk of the book up to April, 1954, and his ending up to the Paris Agreements.

He is not happy about those agreements. He deplores the decision to rearm Western Germany; but he recognises that it was inevitable if Europe was to be rearmend, and he has removed from his book a rueful reference to the possibility of America bearing the

burden of military defence alone while helping Europe to establish economic prosperity and social justice.

He shows how the gulf opening up between the wartime allies became a frontier dividing Germany in two. He describes the policy of the Western occupying powers, from punishment to partnership, in all its inconsistency. In his description of the first phase of occupation M. Grosser rightly points out that it was the French who most often frustrated the Allied Control Council by their veto. What, perhaps, he brings out insufficiently is how, even before that body broke up, the Russians carried out a revolution in their zone under the guise of denazification, demilitarisation and democratisation—four-Power objectives which were taken no less seriously in the West, only the words meant something different there. This is a matter of the greatest relevance to the present debate about the terms on which the two Germanies might be reunited. We ought to be reminded of the purposefulness and despatch with which the Russians acted in the process of division. For one who disbelieves in the likelihood of military aggression from the east, M. Grosser shows curiously little interest in the different methods of conquest.

His diagnosis of Nazism and his description of the treatment applied by the Allies and of its effects are full of sense and sensibility. But a deeper diagnosis would have required a more precise appreciation of the moral and religious motives of the Germans who really opposed Hitler. Any process of regeneration must build on the remaining healthy parts of an organism. The different powers of occupation are characterised neatly. The chapter on Germany's economic recovery is weak, but is followed by an excellent one on youth, the trade unions and the refugees, as aspects of the "social background." A chapter on "the moral background" deals with the churches, education, literature, the cinema and the press, and is followed by a description of postwar politics. This contains little acknowledgement of Dr Adenauer—as does the whole book. But it does admit that the Social Democrats, for all their "preventive nationalism," could not have achieved more and had no coherent alternative policy.

The chapter on Franco-German relations and the concluding chapter both stress the fact that we are all members of one another and shall get "the Germany we have deserved." M. Grosser does not tell us what policy the West should pursue to deserve a better Germany than we have had in the past. But he has, in this book, given the general reader enough idea of some of the facts and forces at work to rid him of the customary clichés in which Germany is so often thought about. One may not agree with all his views. But he deserves thanks for a sober, serious, witty and factual approach to a complex subject, and for a reminder that we neglect the human side of politics to our cost.

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Air Power

THE THIRD SERVICE.

By Philip Joubert de la Ferte.

Thames and Hudson, 274 pages. 21s.

THIS is a disappointing book. In his foreword, Sir Philip Joubert states that it "is intended as a study of inter-Service jealousies and the perils they incur, and as a warning to the British people..." This theme is highlighted in the few pages which deal with this subject in the epilogue, but the book itself, though interesting, is not sufficiently well documented to establish the author's case. The struggle for a separate existence for the Royal Air Force, he says, has gone on with hardly a pause since 1912. And now "the Navy is clamouring for the return to it of Coastal Command; the Army virtually controls its tactical air forces and it is to have its own Transport Command."

Some of this can be put down to inter-Service jealousy, but much of it is due to a fundamental ignorance of the nature and use of air power. Even Sir Philip is guilty of this in places. Not only does he talk about Bomber Command's "private war" but in Chapter XII, where he attempts to forecast the nature of a third world war, we read "The advent of the atomic age has produced no fundamental alteration in the role of the armed forces." Surely there is a fundamental change, namely that today the role of air power is to prevent a third world war from happening. Neither the navy nor the army can play any significant part in exercising this deterrent.

The real change that has come about with the development of thermonuclear weapons and the growth of Russian air power is that, while all three services will have conventional roles to play in cold, warm or limited wars of the future, the vital service in preventing global war is the Royal Air Force, operating in close collaboration with the American air force. Britain must have the finest possible Bomber Command with the most up-to-date aircraft operated by highly trained men. It must also have adequate fighters or guided weapons or both, not only to ensure that these deterrent forces are not knocked out by an all-out thermonuclear Pearl Harbour, but also to prevent a peacetime reconnaissance of the United Kingdom that would be an essential prelude to a surprise attack. Having thus provided our Sure Shield, we should then make the best possible use of our remaining resources to maintain small, highly-efficient, mobile, conventional forces for limited wars and police actions.

"Air Power is Indivisible"; if you divide it up you have aeroplanes but no real air power. This surely is the message and the warning for all to heed. Unfortunately, through trying to cover too much ground in a short book the argument is not clearly or forcibly developed and the result is superficial and unconvincing. The book will be read by service people, but it has neither the wider appeal nor the cogency necessary for it to fulfil its author's aim of being a "warning to the British people."

Books Received

UNEMPLOYMENT INSURANCE SCHEMES. Published for the *International Labour Office*, Geneva, by *Staples Press*. 258 pages. 9s. \$1.50.

REPERTORY OF PRACTICE OF UNITED NATIONS ORGANS: Volumes I, II, III, covering Articles 1-72 of the Charter. United Nations, New York. Her Majesty's Stationery Office. 753 pages, 472 pages and 601 pages, respectively. 25s. or \$3.50 each volume.

EARNING OPPORTUNITIES FOR OLDER WORKERS. Edited by Wilma Donahue. *Michigan University Press*. London: *Cumberlege*. 287 pages. 36s.

BRITISH STANDARDS INSTITUTION: *Annual Report 1954-55*. *British Standards Institution*. 242 pages. 5s.

BRITISH FOREIGN POLICY: SOME RELEVANT DOCUMENTS, January 1950-April 1955. *Royal Institute of International Affairs*. 135 pages. 8s. 6d.

INTRODUCTION TO INVESTMENTS: 2nd Edition. By John C. Clendenin. *McGraw-Hill*. 657 pages. 49s.

EUROPEAN AND COMPARATIVE GOVERNMENT: 2nd Edition. By Robert G. Neumann. *McGraw-Hill*. 818 pages. 49s.

READINGS IN ECONOMICS: 2nd Edition. Edited by Paul A. Samuelson and others. *McGraw-Hill*. 488 pages. 34s.

ECONOMIC ACCOUNTING. By John P. Powelson. *McGraw-Hill*. 500 pages. 56s. 6d.

PROCESS ENGINEERING ECONOMICS. By Herbert Schwyer. *McGraw-Hill*. 405 pages. 56s. 6d.

THE CANADA YEAR BOOK 1955: *The Official Statistical Annual of the Resources, History, Institutions, and Social and Economic Conditions of Canada*. Published by authority of The Right Honourable C. D. Howe, Minister of Trade and Commerce. *Dominion Bureau of Statistics, Canada Year Book Section, Information Services Division*. 1,389 pages. \$3.00.

AN INTRODUCTION TO THE LAW OF NATIONS. By Oscar Svarlien. *McGraw-Hill*. 493 pages. 45s. \$6.00.

THE INDIGENOUS POLITICAL SYSTEM OF THE SUKUMA AND PROPOSALS FOR POLITICAL REFORM. By H. Cory. *East African Studies No. 2*. Published for the East African Institute of Social Research by *The Eagle Press*, Nairobi. London agents: *Kegan Paul*. 129 pages. 4s.

WORLD ECONOMIC REPORT 1953-54. Department of Economic and Social Affairs, United Nations. Distribution: *Her Majesty's Stationery Office*. 163 pages. 12s. 6d. \$1.75.

DENMARK. Edited by L. Russell Muirhead. *The Blue Guides*. Benn. 301 pages and 16 pages of maps. 21s.

COINS. By Howard W. A. Linecar. Benn. 191 pages. 15s.

SOCIAL INSURANCE IN NORWAY. By Dorothy Burton Skardal. *The Norwegian Joint Committee on International Social Policy*. London: *Bailey Bros. and Swinfen*. 115 pages. 5s. 6d.

THE DIPLOMAT'S ANNUAL 1955. *The Diplomatic Press and Publishing Company*. 112 pages. 15s.

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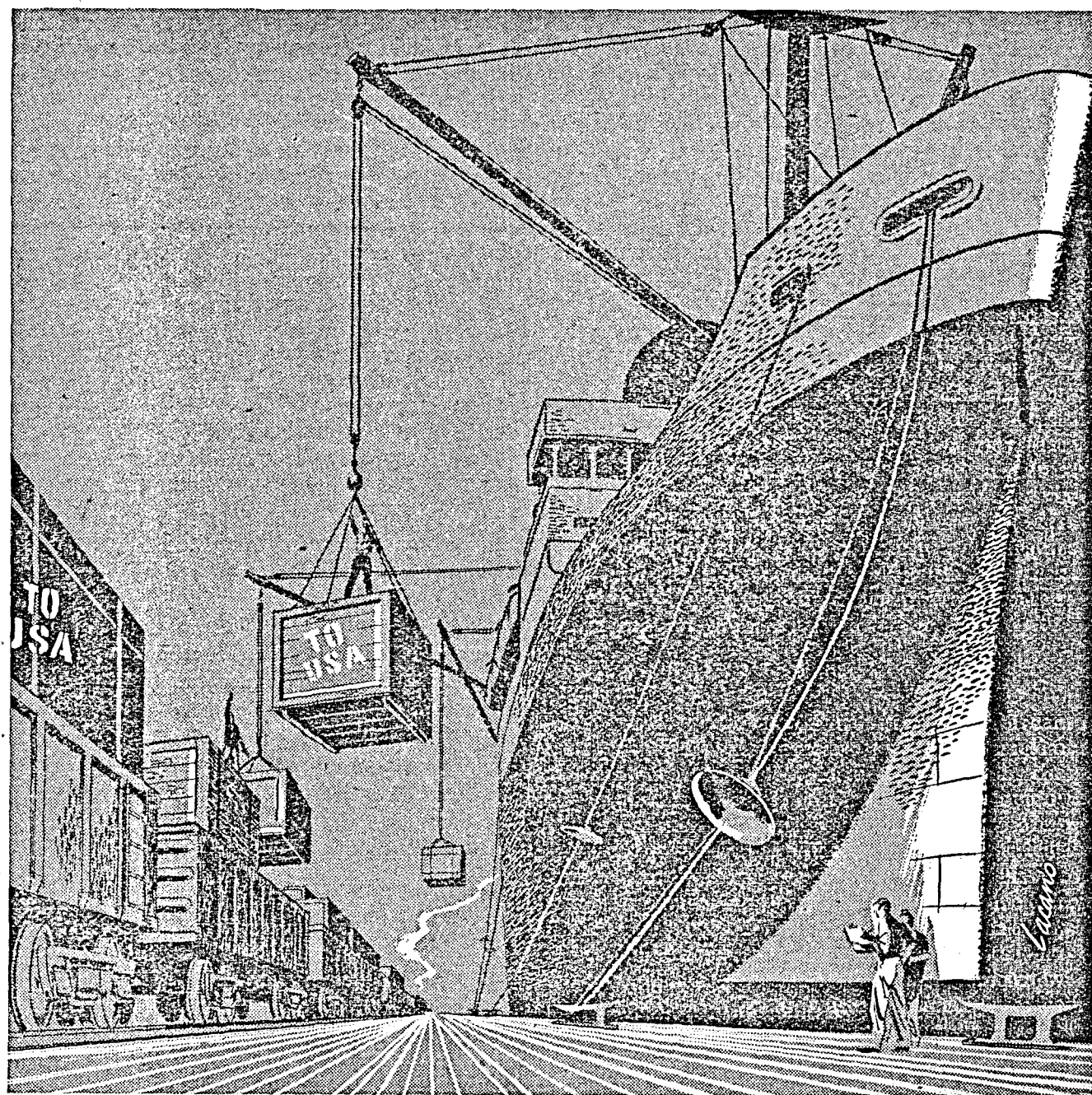
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American Survey

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Geneva's Over

Washington, D.C.

IN Washington there was both disappointment and relief at the outcome of the Geneva Conference. American leaders were disappointed because they had expected that the Russians would make a better offer in connection with East-West contacts and because they had hoped that Mr. Molotov would adhere to the principle, at least, of free elections for Germany. But if there had to be deadlock, they were relieved that Mr. Molotov was so candid about the Russian unwillingness to make any real concessions. The dramatic perils of splits in the western alliance that had been foreseen for the summit meeting and its aftermath had been avoided. American opinion was not so blindly excited by the prospect of international settlement that failure at Geneva produced an atmosphere of alarm, nor was the western front fractured by popular clamour in other countries for a softer response to Soviet approaches.

Mr. Dulles has, of course, come in for some criticism. But the old identity of disagreement with his views shared by three groups, diplomats from allied countries, independent American experts, and Democratic party spokesmen, has passed with its occasion, which was Mr. Dulles's addiction to war paint and verbal thunder. The first group was largely appeased by a tactic which baffled the American press and led to an odd episode in the reporting of the conference. This was the careful prearrangement with the allies which resulted in Mr. Macmillan and M. Pinay saying the tough things in the early stages of the conference, while Mr. Dulles laid stress on whatever common ground could be found with the Russians on the subject of European security. This manoeuvre had a double motive. It gave an appearance of reasonableness and flexibility to American policy, which absolved the United States from the part of tough ringmaster whipping its allies into line. It also

sounded an encouraging roll of drums for Mr. Molotov's delayed proposals on Germany, which would either make him feel he could not disappoint the crowd or, if he had nothing to offer, would produce an unmistakable anticlimax.

Some commentators, however, misunderstood the manoeuvre; reports appeared about Mr. Dulles's "unjustified

optimism," and it was strongly suggested that the advertising men in the Republican party were giving the Secretary of State a new look for reasons of domestic politics. Mr. James Reston, of the *New York Times*, complained before a congressional subcommittee that Mr. Dulles was making the press "an instrument of his policy," which of course he was doing but not quite in the way the press thought. Although the State Department's feelings were hurt, the outcome of this criticism was to the good, since American readers, warned not to be misled by Mr. Dulles's softness of tone, were not let down by the failure to reach agreement.

Mr. Dulles's second group of critics, a small but highly articulate group of American experts outside the State Department, of whom Mr. Walter Lippmann and Mr. George Kennan are the most distinguished, has

been thrown into almost unrelieved pessimism. To them Mr. Dulles's tactical restraint was as nothing compared with the "rigid, sterile positions without alternatives and without latitude for manoeuvre," by which, to quote Mr. Kennan, "the western governments are safely boxed in by walls of their own making." In this view Geneva would finally prove to the Germans that reunification could not be achieved through negotiations among the great powers; from now on, or at least from Dr. Adenauer's final retirement on, the Germans would seek to work out their own salvation by direct negotiation with the Russians and the East German regime.

It is not quite clear what alternatives Mr. Kennan has in

"Well, It Was Nice and Warm in July"



Herblock in the *Washington Post*

mind. Presumably they range from the offer of a security pact to Russia, regardless of whether United Germany opts for the North Atlantic Treaty Organisation, to the full-blooded neutralisation of Germany which Mr Lippmann has long favoured. Mr Kennan's thesis is being discussed anxiously among his former colleagues in the State Department. Everyone is agreed that the immediate effect of Mr Molotov's attitude was to solidify German membership of the western alliance. Some officials are inclined to accept Mr Kennan's longer term estimate, but the predominant view is that no government which succeeds Dr Adenauer's could accept anything like the present Russian conditions, and that the western position is stronger since Geneva, since it showed how bleak these conditions are. It is insisted, however, that the West Germans cannot be denied the right to negotiate with Moscow or with East Germany if they wish.

★

From the direction of the Democratic party have come various and uncertain sounds. Some of Mr Adlai Stevenson's advisers, notably the former Secretary of the Air Force, Mr Thomas Finletter, think that, in trying to promote the slogan of "peace and prosperity," American policy is becoming too soft, that defence expenditure is being kept too low, and that such offers as the President's plan for aerial inspection are dangerous because, if the Russians were to accept them, they might harm America. Others think the Democrats should advocate more tempting offers. Both Mr Stevenson and Senator Kefauver have tried to box the compass by deploring partisanship in foreign policy while characterising Republican foreign policy as a failure. Governor Harriman, in his zeal to outdo his rivals, proclaimed on Monday that "our national policies are confused and uncertain, our leadership is questioned, our alliances are creaking and American prestige has declined."

However, all this sound and fury rather loses its impact when the Republicans bow deferentially to the revered part-author of their policy, the Democratic Senator George of Georgia, who has already blessed Mr Dulles's performance. In developing foreign policy as an election question Democratic candidates will be much inhibited by the jealous primacy of the Senate in this field. The party's leader there, Senator Johnson of Texas, chose his first speech since his heart attack to declare that the Republicans had inherited Democratic foreign policy and that it would be absurd to make a serious issue of it.

One development, however, is everywhere recognised to be for the worse, the Russian incursion into the Middle East. The first reaction was incredulity that the Egyptians had not been bluffing when they threatened to play the Russian card; the second was something near panic at the thought of the "northern tier" being outflanked and the whole Middle East collapsing. A calmer mood has returned, but Americans are frankly puzzled about what to do. The first objective is to prevent a renewal of the Arab-Israeli war, which would mean a real defeat for American policy. Apart from that, the whole question of the proper American response to Russian economic initiative has yet to be resolved.

It so happens that this is the time of year when at roughly the same moment the foreign economic aid voted for the current fiscal year is being finally allocated and when the request for appropriations for the next fiscal year is being

drawn up. Mr Hollister, the conservative business man who was put in charge of foreign aid when it was brought under the wing of the State Department earlier this year, is trying to help balance the budget by withholding part of this year's allocation and cutting back the estimates for next. But there is an element within the Administration which urges that the engines be reversed and that an expanded programme of foreign aid be announced. The State Department is in two minds about this; it knows that it must not fall behind the Russian effort, but it wants to avoid getting involved in a "giveaway competition" in which the smaller powers can play the United States off against the Russians.

Moreover, it is not merely quantities that are involved—it is also priorities. After years of inducing backward countries to put first things first in their economic development, America does not want to see Russian money financing the flashy project that will appeal more to the imagination of the crowd; nor does America want to be forced to build the project itself in order to forestall the Russians. Furthermore, the State Department has not only to induce Congress to vote the money for more economic aid but to prevent Congress from voting the wrong kind of economic aid. The department is developing a strong conviction that the special schemes for getting rid of American surplus food, which are attractive to members of Congress, bring little credit to the United States from the recipients, who feel they are doing American farmers a favour, while the schemes cause much ill will among rival suppliers.

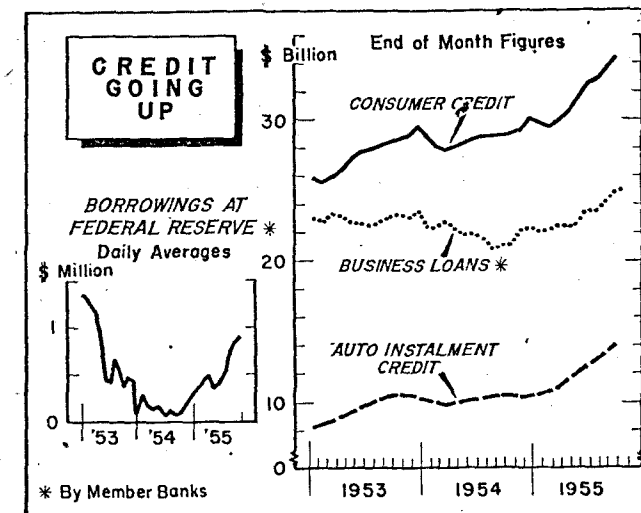
It is certainly to be hoped that the extent of President Eisenhower's recovery has not been exaggerated, since the decisions which have to be made now that Geneva is over are of a kind which must be made soon and can only be made by the man who is President.

Sedative from the Fed

THE recovery of the American economy from the shock of the President's heart attack has been even more satisfactory than that of Mr Eisenhower himself and now the chief danger for it, as for him, is over-exertion. That, at least, is the diagnosis of the Federal Reserve Banks which last week raised their discount rates, the interest charged to commercial banks when they borrow, for the fourth time since March. At 2½ per cent the rate is higher than at any time since 1934 and it may discourage banks from borrowing from the Federal Reserve as freely as they have in recent weeks, to fill the gap between the heavy demand for business loans, particularly from companies financing hire purchases, and the short supply of loanable funds. Banks are likely to become more selective in giving credit rather than to increase the interest charged to their best customers; the prime rate has already gone up twice this year, to 3½ per cent. But other money rates will probably stiffen; already this week short-term Treasury bills were sold at a price equal to a yield of 2.44 per cent and banks have raised the cost of loans to stockbrokers.

The renewed exuberance of the stock market, and the boom in both automobile output and Christmas trade, partly explains why the Federal Reserve authorities decided so suddenly to give the economy another dose of soothing

syrup; this had not been expected until after the Treasury had completed the refunding operation which falls due next month. Indeed, only two weeks ago it was rumoured that some relaxation of credit restrictions was being considered, largely because of the depressing effect they were having on residential building. However, it seems in fact to be building statistics which drove the central bank to act. A total increase of from 3 to 5 per cent in spending on



construction is forecast for next year, with non-residential building making up for a continued decrease in the number of new houses. On top of this came the latest survey, from the McGraw-Hill Department of Economics, supported by announcements from individual companies, showing that businessmen are planning to spend \$33.4 billion, 13 per cent more than this year, on new plant and equipment in 1956.

Such capital expenditure must be financed largely by borrowing, and carries with it a great danger of inflation at a time when men and materials are already becoming scarce and prices of industrial commodities are going up. But the Democrats argue that to put up the cost of borrowing money is to administer a knock-out dose to the housing industry, to small businessmen and to farmers, all groups with substantial numbers of votes in 1956. Government officials are to explain to Congress next week why they prescribed a sedative instead of the tonic which had been asked for; to non-politically minded observers, the prescription seems the right one for the American economy today.

Stevenson Turns Professional

WITH promises of support from influential Democrats as a prologue and a press conference and a full-dress political speech as epilogues to his formal announcement of his candidacy for the Democratic presidential nomination in 1956, Mr Stevenson managed to dominate the headlines for the whole of last week. This expert handling of his appearance on the stage, the first candidate to show himself officially, was accompanied by the appointment of several experienced professional politicians to direct his campaign. Among them is Mr James Finnegan, who has had much to

do with the Democrats' striking successes in Pennsylvania. Mr Stevenson's intellectual advisers, the devoted "egg-heads" from university incubators, are this time apparently to remain behind the scenes. This evidence that Mr Stevenson is now taking his political career confidently and seriously, that he intends to fight whole-heartedly for the Presidency, endears him to local leaders and Democratic machine minders, many of whom are now backing him as a likely, indeed, almost a certain, winner.

This is the type of support that can assure Mr Stevenson the nomination when the Democrats convene on August 13, 1956. But it is also the type of support that would disappear very quickly if he began to look like a loser. This is why he must make good in the popularity contests, called primary elections, which various states run for party hopefuls. In 1952, Mr Stevenson, waiting to be drafted by the convention, avoided these tests. He has now announced that he will enter the Minnesota primary on March 20th. His chances of victory there are excellent, for the leading Democrats in the state are enthusiastically behind him; but he is well advised to avoid the New Hampshire primary a week earlier, for there the party machine favours Senator Kefauver, who will probably be the next Democrat to announce his candidacy officially.

Mr Stevenson is already feeling the pressures which are another penalty of a long campaign—pressures to make him fight in the way certain Democrats, notably Mr Truman ("give 'em hell"), think he should, pressures to bargain for the help of particular groups—farm leaders, labour spokesmen, southern conservatives and others. If he resists these pressures, he may lose the nomination. But if he gives way to them, he may lose the election. For he would then be forced away from the moderation which still appeals to the main body of voters, particularly to the vital group of independents, as it did in 1952. As long as the present peace and prosperity lasts, and in spite of Governor Harriman's claim that "there is no such word as moderation in the Democratic vocabulary," it looks as if any Democrat who hopes to follow Mr Eisenhower into the White House ought also to stick to the middle of the political road.

Cause for Thanksgiving

THE shower of descents by deafened Cabinet Ministers and shivering presidential advisers upon muddy landing strips near Gettysburg and Camp David, during the week before the Thanksgiving holiday, gave almost as much publicity to the helicopter industry as it did to the rapidity with which President Eisenhower was catching up with the state of public affairs. The most concrete piece of information to emerge from these conversations and meetings was almost as good a cause for national thanksgiving as was the President's apparent ability to resume work just when it was becoming essential to have his views on such vital questions as next year's budget and the 1956 legislative programme. For the Director of the Budget, Mr Hughes, was able to announce officially the hitherto unconfirmed news that there was every hope that the budget would be balanced in the current fiscal year, ending next June 30th, as well as in the coming 1956-57 year.

It was particularly encouraging, for the taxpayer, at least, that this statement did not come until after the failure of the Geneva conference, and that it was accompanied by assurances that this failure was not expected to bring any increase in defence spending. The figure for next year is being put at about the same as for 1955-56, some \$34.5 billion, out of a total budget of around \$63 billion; the Administration is congratulating itself on having worked out a long-term programme for maintaining the country's military strength with no need for sudden spurts from fright. The Secretary of Defence has, however, suggested that spending on armaments may be pushed up in future years if the national income continues to expand.

It is this year's economic expansion which explains why the prospect of a deficit next June, put at \$1.7 billion only three months ago, is now vanishing. During the first third of the current fiscal year, tax revenues were running ahead of the same period in the previous year by \$1.4 billion; this is almost as much as the total increase predicted officially for the whole of the year. Unfortunately spending was also running higher than last year, although, according to the estimates, it should have been lower; but Mr Hughes believes that outlays can be kept down if government departments make determined efforts. He refused to commit himself on the question of a tax cut next year. But if the current budget is really balanced, it would require a great deal of austerity for the President not to ask for a reduction, and an unimaginable amount of restraint for Congress not to insist on giving the voters this reason for gratitude in time for the election.

Teachers Wanted

FROM A SPECIAL CORRESPONDENT

WHEN the 2,000 delegates to the White House Conference on Education meet in Washington next week, they will be discussing some of the most urgent questions in the United States today. Among them will be the shortage of teachers; this is put at 100,000 now and will, it is estimated, grow to 300,000 by 1960 unless effective remedies are found. Poor pay has reduced some teachers to driving taxis or tending petrol pumps in their spare time; it has discouraged entrants into the field, to the point where the number of new teachers just balances the number who leave the profession annually through death, retirement, or change of jobs. Yet the school population will increase by well over 20 per cent in the next five years.

The shortage is worse in the elementary schools and here other considerations besides low pay are undoubtedly involved. It is perhaps no longer common for teachers to be expected to live like Puritans while being treated like pariahs. But the prestige of teachers remains low, in spite of a massive campaign in their favour over the past few years, and an increasing realisation of their crucial importance to society. Many a university professor, advising his students about careers, treats the occasional would-be teacher almost as if he or (usually) she were choosing the life of a missionary to a tribe of cannibals. Even with some improvement in teachers' pay, to end the teacher shortage

may require a revolutionary change in public attitudes towards the profession.

The lack of qualified teachers casts its shadow over all the current controversies regarding children's schooling in the United States. There has been a spate of books, articles and speeches criticising the schools, including Mr Rudolf Flesch's *Why Johnny Can't Read*. Their special target has been the "educationists", instructors and administrators of the teachers' training colleges, who are alleged to be an all-powerful oligarchy devoted to the advancement of anti-intellectualism under the guise of progress. The critics have sometimes argued from isolated horrendous examples as if they were typical, and have assumed a far closer relationship than really exists between the current writings of educational theorists and the actual practices of the schools. They have blamed the educationists too much, and the anti-highbrow and pragmatic traditions of the American public too little. The defence, on the other hand, has often talked as if any critic of current methods in the public (i.e. state) schools was *ipso facto* an enemy of publicly-financed education, a sinner against the democratic heritage, and an educational reactionary, ignorant of the facts of child psychology.

There is no doubt that the concept of the "child-centred" education dominates the elementary school world to-day. To the critics, this means that teaching discipline is being watered down in deference to an excessive concern for the child's social adjustment. They maintain that basic skills are neglected; they are critical of the widespread practice of keeping no child back from promotion to the next class at the year's end, no matter how inadequate his performance, and of the reports to parents which stress the child's individual progress instead of comparing him with other children of the same age.

To all such charges there are, of course, answers. Standard disciplines were meaningless to many children; the modern "core" course, which combines many kinds of study in an integrated whole, and which emphasises problems and situations taken from the child's own immediate experience, is more likely to arouse real interest in the pupil. Automatic promotion arises from the discovery that children who were "kept back a year" under the old system usually learned even less the second year than the first, and certainly less than they would have acquired by moving on with their classmates. The modern report card is defended as taking into account individual differences in background and aptitude.

Upon the general argument, that mass education has so far meant mediocre education, that the gifted child is too often neglected under present conditions, there is, however, much soul-searching. Several answers have been tried. The unusually gifted child can be allowed to skip a class now and then, and so finish faster; this is the oldest method, and has obvious shortcomings since physical growth and social adjustment often do not keep pace with mental growth in such cases. Alternatively, special sections can be set up for children of high Intelligence Quotient. Of this the commission was wary; such separation is often held to be undemocratic, and to encourage an unfortunate snobbery among the favoured ones, as well as jealousy and feelings of inferiority among the rest. Actually, it would take more than the dividing of classes on the basis of intellect to shake

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the American school child's conviction that excellence in studies is at best an achievement of the third rank, well behind athletic and social skills. But no doubt many a school board, fearful of popular protests, or simply not equipped to organise separate sections in each class, would rather attempt the commission's third alternative. This is to "enrich" the curriculum for the gifted by giving them bigger and more challenging assignments, encouraging them to take extra courses, and dealing with a class as individuals or in small groups related to ability, rather than as one mass.

The point has often been made that progressive methods of education would work well if all teachers were as good as the best, but that in fact they put too much burden upon persons of routine abilities. Merely to glance at the manifold tasks that the modern elementary school teacher is expected to undertake is to realise how impossible it is for most teachers ever to achieve this ideal combination of mother, tutor, social adviser, psychiatric counsellor and spiritual guide. Now, with the shortage of teachers of any calibre reaching such alarming proportions, the hope for giving real opportunity to the best as well as to the average intelligence must inevitably seem dim.

Clearing the Air

FROM A CORRESPONDENT IN CALIFORNIA

IN Los Angeles, in contrast to London and Manchester, November brings an end to the annual smog season. From now until next July, citizens of the once "sunkist southland" will no longer listen each day for the routine forecasts of "Smog Green" or "Smog Red"; the latter means fume-filled fog with badly irritated eyes, poor visibility, possible hazards to health and to crops, and generally exacerbated tempers. The 1955 smog season has been the worst since 1947, when standards of measurement were first established. And there is an uneasy conviction that smog will, in the next few years, get a great deal worse before it becomes even a little better.

Since July, 1955, the Air Pollution Control District, a super-governmental, county-wide body created by state law in 1947 to solve the smog problem, has found it necessary to establish a procedure of declaring first, second and third stage alerts. A first alert indicates that smog concentration is approaching the maximum allowed before preventive action is required, while a second alert indicates that a smog-induced menace to health actually exists in its preliminary stages. A third alert comes when the menace is dangerous; as yet no second or third stage alerts have been declared, although a number of the thirteen first alerts have closely approached the danger level. Thus it has not yet been necessary for the District to order more than a ban on the burning of rubbish in outdoor incinerators or open fires; it has the authority, during third alerts, to shut down all industry and stop all vehicular traffic. The smog has had other farther-reaching consequences. Residential areas out of the smog belt have become more and more desirable and valuable, and political reputations in city and state have been made and broken, sometimes unfairly, because of the demands that the problem be solved.

Smog is, in fact, a misnomer, for the haze which hangs so irritatingly over the Los Angeles Basin, between the

mountains and the sea, during the summer months. As Dr De Voeur, the originator of the term, defined it to describe London conditions in 1905, smog was a combination of man-made smoke, primarily from the burning of soft coal, and England's natural fog. Los Angeles' version of smog is quite different. Practically no soft coal is used in southern California and the fog only begins to roll in from the Pacific Ocean long after the smog season has ended. Los Angeles' smog appears to come from a complex of many pollutants thrown into the air in a variety of ways. There is general agreement on only one point—that the smog occurs mainly when the area is affected by a combination of temperature inversion, weak winds and sunshine.

During these periods of inversion, higher altitudes are warmer than lower ones and thus the polluted air, unable to rise, hangs motionless like a blanket over the city. The weak winds do not blow the air out of the basin and the sunshine then acts chemically on the pollutants accumulated under the warm layer to create still more airborne irritants. But the sources of the pollutants are still almost as obscure as the outlines of the huge city under the greyish-brown cloud which now envelops it so frequently.

★

At present, there are three major suspects accused of throwing more than forty foreign substances into the air: industrial operations, motor vehicle exhausts and garden incinerators where household rubbish is burned. But, as yet, no accurate determination has been made of the relative importance of these three or of ten more possible minor sources of air pollution; these include dust clouds from turkey farms and matter thrown into the air from the daily abrasion of millions of rubber tyres against thousands of miles of city streets. Indeed, there is not even any exact assessment of blame within each category of suspect. The oil refineries claim that they are only minor offenders, a claim just as assiduously asserted by all the many other fuel consuming or producing industries in the area.

Even though never before in the world's history has air been measured so frequently, in so many places and with as many instruments as it is at present in the Los Angeles Basin, the authorities have been forced to act before they have complete knowledge. While research goes on, in co-operation with industry, restrictions have been placed on new industrial operations which will pollute the air; some 2,000 plants are inspected every month; there is a law covering smog control devices, and an educational campaign for the public. For the future, the Air Pollution Control District hopes to plan new industrial sites in accordance with meteorological knowledge of wind currents, to eliminate outdoor incinerators by substituting additional municipal collections, and to prevent automobiles from being registered in the area if they do not have a contrivance for reducing pollution from their exhausts.

However, it is obvious that the District will be opposed by some segments of industry. Even now, its right to refuse a building site is being challenged in the courts. But as the air grows hazier and hazier, the threat to the community grows clearer and clearer. And under pressure from its citizens, whose tempers have become as irritable as their eyes, the politicians will eventually be forced to press for either voluntary or enforced solutions of the problem. To the community at large, hardly any solution could be nearly as noxious as the present air itself.

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The World Overseas

Double Jeopardy in Nepal

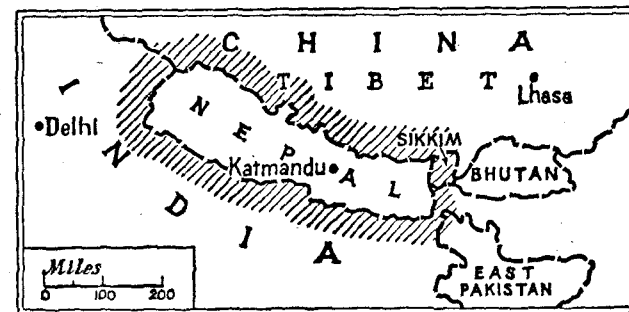
THE young King Mahendra of Nepal, who succeeded his father only last spring, has already had to warn his country's numerous political factions that they had made democracy a "laughing stock" since the authoritarian rule of the Rana clan collapsed in 1951. India, which presided benevolently over the ousting of the Ranas and the inauguration of constitutional monarchy in Katmandu, and has become accustomed to provide political advice as well as economic and military aid for Nepal, is openly concerned about the present situation, which presents two linked dangers. One is the threat of a fresh breakdown of internal order in the Himalayan kingdom, which is larger than England and geographically more divided than classical Greece; the other, political infiltration, either suave or violently subversive, from Communist China, which has now consolidated its military occupation of Tibet. Peking's professed loyalty to the "five principles of peace" may be reassuring for Indian public opinion, but does not blind responsible Indians to the need to keep a wary eye on the buffer state which shields India's heartland, the Ganges valley.

In recent months the young king has had to exercise personal rule, because the rival leaders of Katmandu cliques—none of which really deserves the name of party—had resisted all his efforts to bring them together into a representative government. On the eve of his departure for the tour of India which he has been making this month—a fortnight ahead of the Soviet leaders, and with much less imperial pomp—he obtained a provisional agreement for the setting up of a three-party ministry, but even then he was forced to postpone any formal decision until after his journey. Nor were the circumstances of this belated coalescence between rival politicians at all happy. There was an obvious link between their sudden readiness to work together and the equally sudden reappearance in their midst of a man whom most of them fear, Dr K. I. Singh.

Dr Singh has spent the last three and a half years in Peking. He fled into Tibet in 1952 after failing to seize power by a coup which the Indians helped to frustrate. Up to that time he had been an outstandingly bitter critic of Indian influence in Nepal. Although a price had been

put on his head, he was pardoned the moment he returned from China in September, and he lost no time in launching an uninhibited political campaign, starting with the largest political meeting Nepal has ever seen. The reaction of some Katmandu politicians was to beg the King to confer power upon them at once—before Dr Singh's bandwagon began to roll; the reaction of others was to climb on to it. Dr Singh is a national hero in many Nepalese eyes because he opposed the Rana regime so stoutly, and in some because he also attacked Indian tutelage. He is now proclaiming himself utterly converted to friendship with India and exuding gratitude for Indian aid; but neither the Indians nor the more sophisticated Nepalese are wholly convinced that this is a genuine conversion.

Dr Singh was never known as a Communist or sympathiser, and denies that he is one now. But he was an honoured guest in Peking, feted, on one occasion, as a "public leader" of his country alongside the emigré Siamese ex-premier, Pridi—a somewhat ominous parallel; and it would seem probable that the Chinese have returned him to Nepal now in full confidence that his influence there would be to



their advantage. His reappearance has set the Indians a really difficult puzzle. Dr Singh's position may now become so strong that the King will have to take him into a new government—after which he might gradually switch to an overtly pro-Chinese attitude; but if he is kept out of power, he may foment unrest and separatism in the less accessible parts of the country, as he did before 1951, and thereby throw Nepal back into disorder. If King Mahendra, who is as sincerely concerned to make Nepal democratic as the Indians are (and who has also shown himself a decidedly shrewd young ruler), has been asking his Indian hosts for advice during his three-week stay with them, they must have found it difficult to offer any very precise suggestions. Meanwhile, Dr Singh himself has been stumping his country, has formed a new political party and has outlined a programme of radical reforms and promises of rapid economic progress. The only subject on which he has proved reticent is what he saw in China and Tibet.

Cartel Compromise

BY OUR SPECIAL CORRESPONDENT

PROBABLY the most difficult piece of unfinished business inherited by M. Mayer when he became president of the High Authority of the Coal and Steel Community was the fact that "Georg" (for the Ruhr) and other coal-selling arrangements still flourished in flat contradiction to the terms of the treaty.

Article 65 of the Schuman Plan treaty forbids all agreements, decisions, and concerted practices which impede the normal operation of competition within the common market, and, in particular, proscribes arrangements which fix or influence prices, restrict production, or allocate markets, products, customers or sources of supply. Given the clear language of the treaty, the High Authority might, at any time, have acted against the coal sales agencies and simply announced that unless they ceased violating the treaty the penalty provisions would be applied.

The High Authority chose to avoid a head-on collision and, by negotiation, to persuade the principal offenders to modify their practices so that the High Authority could find that they conformed to the treaty, which permits specialisation and joint buying and selling arrangements that have the effect of improving production and marketing without impeding competition.

At the Common Assembly meeting last May, Herr Etzel, the vice-president of the High Authority, outlined the arrangement with Georg (the most important of the sales agencies) which the High Authority was then confident would be found acceptable. But during the summer and autumn, with its position bolstered by the strong demand for Ruhr coal, Georg continued to press for more favourable terms. Faced with the fact that not only the coal industry but also the trades unions and the German government felt that in the tight market situation Georg was an indispensable stabilising and rationing device, the High Authority must have been tempted to leave the nettle ungrasped.

The statement made on Wednesday before the Common Assembly in Strasbourg indicates that a settlement is once again in the offing. Georg will now be split into three selling agencies, rather than the six forecast in May. As in the earlier proposal, selling in common, now by a

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jointly run central sales bureau, will be permitted for sales to large purchasers, like the railroads, who buy more than 48,000 tons of coal a year. The most important new wrinkle is that the three sales agencies may now request the central bureau to act (subject to the High Authority's veto) in a period of *près penurie*, which appears to mean in a situation such as the present when there is no absolute shortage of coal but a large unfulfilled demand for Ruhr coal and substantial imports of expensive dollar coal.

The new arrangement will not mean competition in the present coal market, when every ton of Ruhr coal can be sold without difficulty at the ceiling price. But it does mean that the actions of the new sales agencies and the central bureau will be subject to continuing scrutiny by an impartial body and that the possibility (however slight) of competition will exist in a buyers' market. Some will consider this a small mouse for almost three years' labour. But, as the impeccable behaviour of Georg during the period of negotiation has demonstrated once again, the restraint of publicity can be a real one.

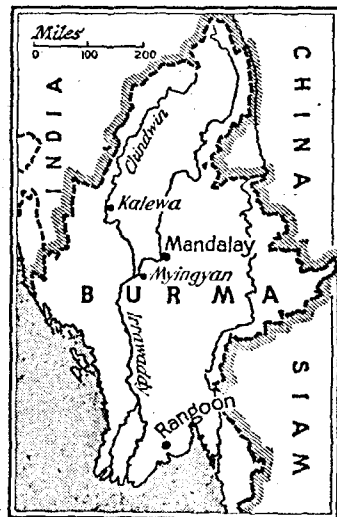
Coal from the Chindwin

FROM A CORRESPONDENT LATELY IN BURMA

THE Burma Government's decision to engage the services of a British firm to help develop the coalfield at Kalewa brings a familiar dream one stage nearer to realisation. It has long been known that there was coal at Kalewa, but its exploitation has been obstructed by three things: its poor quality, which made it a wholly uneconomic proposition in the prewar days of cheap coal; the Communist and other rebellions that have ravaged postwar Burma; and the difficulty of moving it out of the remote north-west. Kalewa lies well up the Chindwin river, on the route from India by which the 14th Army re-entered Burma in 1944.

Ever since independence, the government has had the coalfield high up on its development programme. A reconnaissance was made in 1948 by Dr Ba Thi (now Director of the Burma Geological Department), who found 30 seams about 4½ miles west of Kalewa. Nothing followed because of the rebellions. In November, 1951, an investigation at Kalewa was made by a geologist of the "KTA" group of American specialists, whom Burma had engaged to survey the country's resources.

The KTA report (August, 1953) gave a guarded recommendation in favour of exploitation. The potential yield was estimated at 750,000 tons per annum. The best mine would be exhausted in 17 years, the second site in 34 years. It would entail four years' work to get the area ready. It reported adversely on the quality of the coal, finding that its



friability "precludes its satisfactory use as a hand-fired fuel for most industrial purposes," but that it might be used in furnaces or in briquette form on the railways. KTA estimated that Kalewa coal could only be put on sale in Rangoon at a price about £1 per ton above the price of imported Indian coal. It therefore urged that, complementary to any development at Kalewa, a Burmese "Ruhr" should be created nearer to the field, at Myingyan, near the junction of the Chindwin with the Irrawaddy. Time has shown that almost all the KTA proposals erred on the side of optimism. A mission sent to Burma by the International Bank in 1953 was especially scathing in its comments on plans which relied on the interdependence of industries that might or might not take shape.

However, the government of Burma has continued with its plans. Prospecting and drilling have reached an advanced stage; a small drift mine, intended mainly for training purposes, has been yielding 20-30 tons a day. The coal has been successfully used in boilers with mechanical stokers, and, mixed with Indian coal, the best screened Kalewa coal has been proved usable on the railway. A project has been worked out (partly by a UN mining consultant) for two collieries to work the main seam, producing 500 tons a day of mine coal from each unit giving a total of 300,000 tons per annum—enough for Burma's railways, river shipping and electric power stations. The cost of the project is estimated at two crores (£1½ million) spread over three or four years.

Certain problems have not yet, however, been squarely faced. First, where will Burma obtain the 1,000 miners and skilled technicians that will be needed? Mining is notoriously hard and unpleasant, and Kalewa is regarded by all Burmans, with much reason, as the last place on earth to settle in. Personnel problems in the relatively pleasant government textile factory at Rangoon have been almost insuperable. Kalewa may prove a practicable proposition only if Indian or Japanese labour—and technical skill—is imported. Secondly, the Chindwin is almost un-navigable in the dry season: its draught is some two or three feet, and there are shifting sandbanks. Very special craft will be needed to transport the coal—even if the Myingyan project should materialise. Transport costs are likely to be even higher than KTA suggested; but this aspect of the problem does not appear to have been very thoroughly considered—possibly because it comes under a different ministry.

Kalewa, for all its potential value to Burma, has all along been handled too much as a matter of national (and much more of ministerial) prestige. It may yet turn out to tie up valuable men, materials and effort to little purpose.

Holland's Open Economy

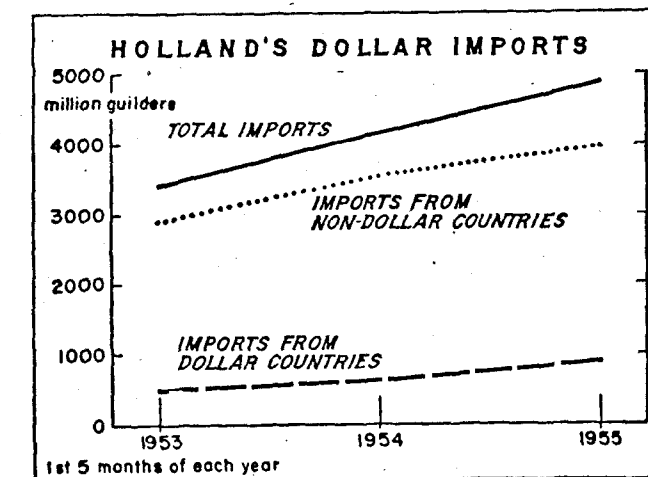
FROM OUR CORRESPONDENT IN HOLLAND

IN recent weeks a note of mild anxiety has crept into official comments on the Dutch economic outlook. Some cautious steps have already been taken to nip in the bud the inflationary symptoms that have appeared. Nevertheless the balance of payments picture, which is all-important for a country as dependent as Holland is on foreign commerce, is still remarkably healthy. This is remarkable because in the past eighteen months Holland has moved

swiftly towards a position of freedom of exchange and liberalisation of imports that makes it one of the most open economies in Europe.

Great strides have been made in freeing Holland's dollar imports from discriminatory controls; dollar goods can now be imported virtually as freely as goods from the rest of the OEEC area. Yet officials in The Hague are convinced that this process of dollar liberalisation has not only been healthy for the Dutch economy, but has also been absorbed without too much difficulty.

It is clear, however, that once the barriers were removed Dutch industrial and private consumers indulged in a modest dollar buying spree. The figures show that the proportion of Holland's imports coming from the dollar area has risen more steeply than that from other areas. But with prosperity breaking out all over, Holland's propensity to import, particularly raw materials, was bound to be high; for instance, imports of cotton from America have risen steeply. Moreover, the new freedom to import materials from the dollar area happened to coincide with a period when other areas were experiencing growing difficulties in supplying Holland's requirements of both raw materials and manufactured goods. Items such as coal, chemicals, carbon black, cellulose and steel, for instance, were readily available from America—and, moreover, at cheaper prices and earlier delivery dates. Another substantial factor behind the increase in dollar imports was the switch from Argentinian to American grain as a result of the former's export difficulties. The tendency of the crop of American-owned subsidiaries set up in Holland after the war to import raw



materials and semi-manufactured items from their home sources of supply also helped to step up dollar imports. And, finally, dollar liberalisation enabled Dutch manufacturers to replenish their stocks, which, during the period of dollar shortage, had been unduly low.

On the other hand, dollar liberalisation has not led to a large increase in manufactured consumption goods. The official explanation for this is that dollar exports of this category were, in contrast to raw materials, uncompetitive in price, and also that the Dutch passion for saving mitigated the potential demand.

It is thought in Holland that many of the factors making for the increase in dollar imports since liberalisation are likely to prove temporary. But, while a return to a more normal pattern of imports would be welcomed, the official view is that the policy of dollar-liberalisation has been

triumphantly proved by the trend of Holland's gold and dollar reserves. Far from declining, as might be expected, these have actually increased. This is due not only to Holland's favourable balance with other OEEC countries, but also to the export of dollar capital to Holland, in particular the selling of Dutch securities in America. Nevertheless, no one is complacent about the balance of payments problem, for it takes only a relatively minor set-back in world trade to create for Holland serious economic difficulties.

South Africa's Small Brother

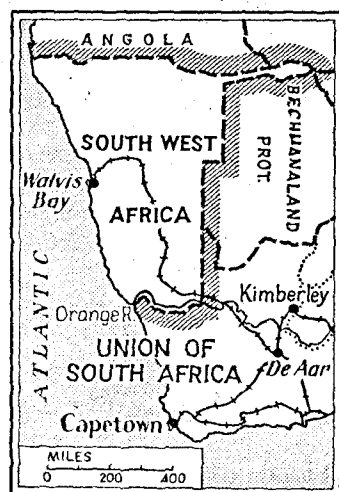
BY winning 16 out of the 18 seats contested in last week's general election, the Nationalists, who are a branch of the governing party in the Union of South Africa, have increased their domination of the South-West African legislature. Yet although in every constituency they added to their votes, it would be unwise to assume that the 26,000 white electors in the territory are wholehearted supporters of Mr Strydom. In fact, it is largely their knowledge that the Nationalists hold big brother's purse strings that accounts for the party's strength in the former German colony.

But the South African Nationalists were determined to leave nothing to chance. They mounted an impressive election campaign, bringing in such "big guns" as Dr Verwoerd, the Minister of Native Affairs; and at a strategic moment the Minister of Railways, Mr Schoeman, arrived to announce a new programme of railway development in the territory that will cost £5½ million. But it was a sheer stroke of luck that the United Nations Assembly should decide to debate South-West Africa and thus afford the South African delegation the opportunity of staging a melodramatic walk-out in protest against allowing the Rev. Michael Scott to give evidence on behalf of two of the territory's African tribes. This action is strongly approved by all the white voters in South-West Africa.

But the opposition was, in effect, beaten from the start. The South-West United Party received only token support

from its South African counterpart. It was forced to build its small hopes of doing better than at the last elections, when it gained only three seats, on the discontent that certainly exists in spite of the prosperity that has come quickly to South-West Africa. Its exports, for example, have in recent years grown at a rate of more than £1 million a year and last year totalled £36.8 million. Minerals account for almost half of the total, and next in importance is the karakul

(persian lamb) industry which in 1954, a relatively bad year, accounted for earnings of foreign exchange worth £3.8 million. A brisk trade is done also in the export of meat



and butter to the Union; the territory at present supplies something like a quarter of the Union's butter supply. On the coast, a most profitable fishing industry has been established. Yet in spite of the recent progress many people are convinced that only the surface of South-West Africa's wealth, mineral and other, has been scratched, and there are many who blame the Union for not doing enough to speed this development.

Lack of communications is one of the chief hindrances to further progress. Many people accuse the Union of dragging its feet in railway development, and it is true that the railway and road systems scarcely exist over large tracts of the territory. Mr Schoeman's announcement of a new deal for South-West Africa's railways could not have been more timely. But there are complaints also from the farmers, particularly from karakul breeders. Fortunes have been made out of the sale of pelts to world markets, which draw nearly half their total supplies from South-West Africa. In recent years, however, the karakul sheep has been introduced into South Africa, where, to the dismay of the South-West Africans, it has flourished and multiplied. The Union government is blamed for not regulating more carefully this expansion, which threatens the prosperity of the territory.

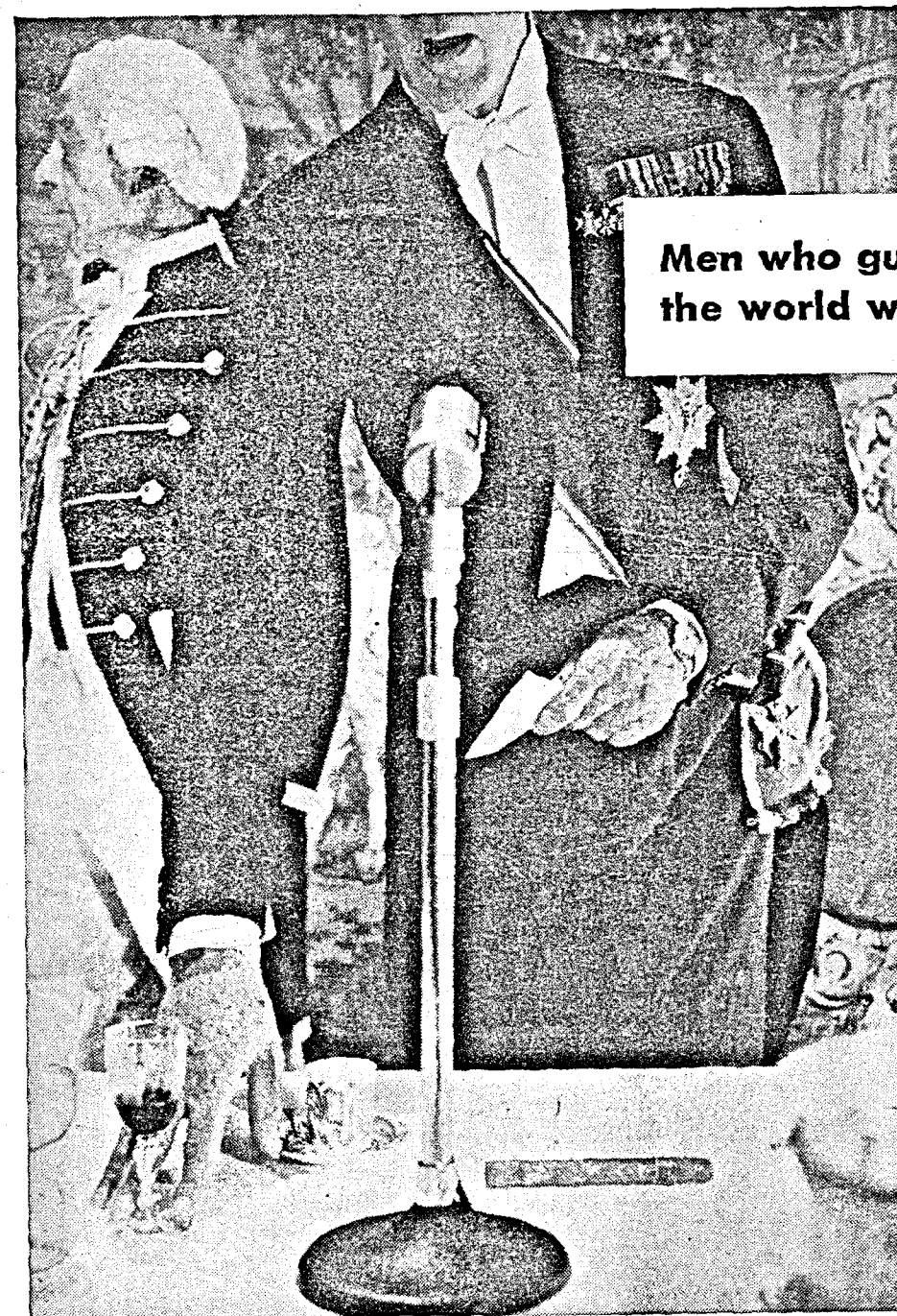
With the growth of South-West Africa, however, the local Nationalist party, in spite of the grumbles about the Union government's policies, has been gathering strength. At one time it was thought that the German-speaking element, which comprises 22 per cent of the electorate, would turn against the Nationalists, because they feared the consequences of incorporation into the Union as a fifth province; for most people, and not only the Germans, fear that incorporation would mean paying the higher taxation that rules in South Africa. But whatever might be Mr Strydom's ultimate objective the "fifth province" cry was not raised at the recent election. The fears of the German-speaking community about their language rights were put at rest shortly before the election by an announcement that a commission would be appointed to consider means for protecting their rights.

With four senators and six MPs in the South African parliament the handful of white voters in South-West Africa have little to grouse about in the matter of political representation. But Mr Strydom and his colleagues well realise that South Africa's young brother is rapidly growing up, and, moreover, is beginning to have a mind of his own. The price of buying his respect and support in the future is certain to grow.

Mexico's Sanctuary for Exiles

FROM A CORRESPONDENT IN MEXICO

MEXICO has extremely strict laws to control immigration; paradoxically, however, it is one of the most hospitable of Latin American states in granting asylum to political exiles. At the time of Colonel Castillo Armas's successful revolt against the Arbenz regime in Guatemala last year, the impassive correctness of Mexican behaviour displeased Guatemalan anti-Communist extremists. In addition to the discomfort of having to harbour Colonel Arbenz and some of his henchmen in his embassy, the



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THERE is a small group of men whose names will live on. Their faces and voices are overwhelmingly familiar. In the newspapers, on television, on the radio, the impact of their personalities is inescapable. So is the impact of their words and actions on our lives.

It would not be fitting to mention their names, for they include royalty, the heads of states, great service chiefs and statesmen. But next time you see them or their pictures, look at something you might normally overlook—the watch on their wrists. That watch will most likely have been made by Rolex of Geneva.

We are proud that Rolex watches serve so many eminent men. Accustomed though they are to the very best, they often express amazement at the accuracy and dependability of Rolex. We are pleased that they soon take it for granted.

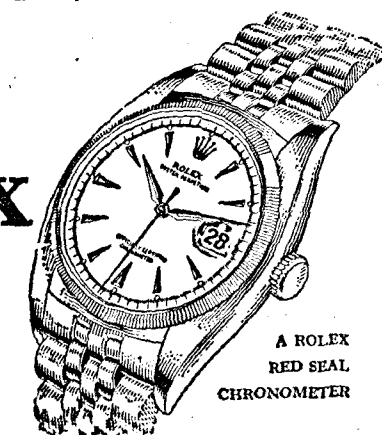
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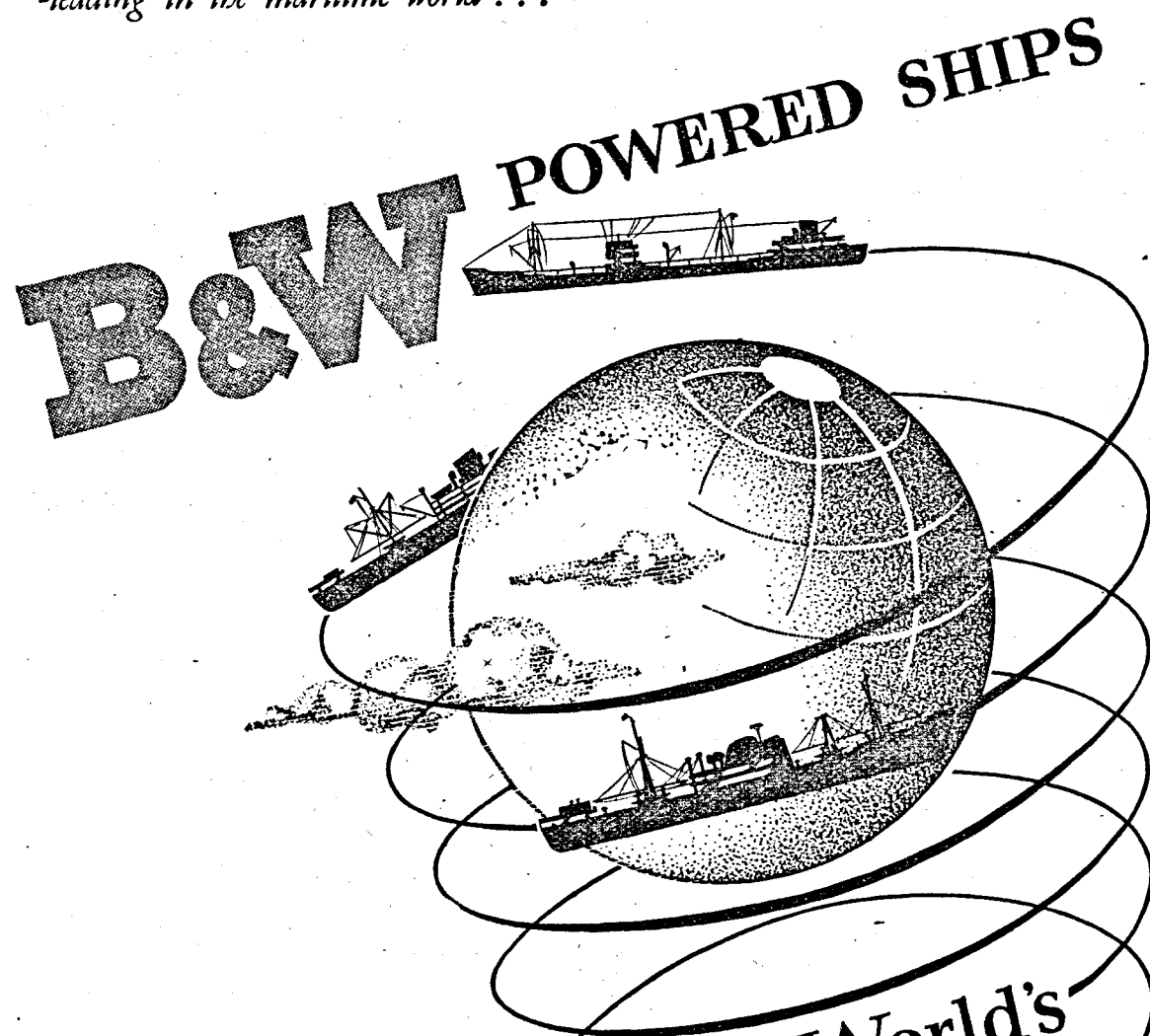
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Mexican Ambassador to Guatemala endured many insults. Even when Arbenz and his associates had been safely escorted to Mexican soil, the Guatemalan authorities made every attempt to obtain the extradition of those who they claimed were common criminals. However, in spite of the dossier of atrocities allegedly committed by Arbenz's police chiefs, Mexico stood firmly by the principle that those who had claimed asylum were first and foremost political refugees. This decision did not pass uncriticised in Mexico, but the government refused to abandon the principles of asylum as interpreted throughout Latin America—principles dramatically illustrated in recent weeks by the journeys of General Perón.

A man who knocks on the door of a Mexican embassy need only show that he is a victim of political persecution in danger of imprisonment or execution. The mere fact of his being a fugitive entitles him in Mexican eyes to protection which is normally granted on the condition that the refugee refrains from any political activity. When ex-President Arbenz attempted to organise a press conference in order to obtain publicity and probably to excite anti-American feeling, the government swiftly prevented this abuse of the sanctuary granted to him.

Café Society

The most spectacular example of Mexican hospitality to those in distress has been the welcome given to Spanish Republicans who fled from Spain in 1939. It is estimated that some 20,000 Spaniards and their families were admitted. Very few of them have accepted Franco's amnesty and returned to Spain. Most have settled down to a new life despite very difficult circumstances—for many of them arrived penniless. Such refugee Spaniards have lost all desire to return permanently to Spain. A celebrated Spanish composer was recently approached by a travelling propagandist from the peninsula: "Come back," said the propagandist, "the Generalissimo has forgiven you." The ex-refugee replied: "I am a Mexican citizen now. And tell the Generalissimo that I have not forgiven him."

There is, however, another smaller but more vociferous group of Spanish refugees who have not given up the struggle. And the fact that so far Mexico has withheld recognition from the Franco government has encouraged some ardent Republicans in their dreams of returning in triumph one day to Madrid. Although an unofficial agent of the Franco government is allowed to live in Mexico, and commercial relations with Spain have been ensured by bilateral agreements, the Mexican government still recognises the enfeebled cadre of the "Spanish Republic Government in Exile" and allows it to "function" in a decaying mansion in Mexico City. The die-hard Republicans (among whom there are a few active Communists, who are occasionally bundled into jail for a day or two) are still to be found every day, and almost all day, sitting over coffee in the smoke-laden atmosphere of the *Café Campoamor* and other congenial haunts.

The list of political refugees who have found shelter in Mexico during the last twenty years is a long and colourful one. Trotsky lived unmolested and largely ignored by Mexicans in a fortified house in the suburb of Coyoacán until the long arm of Stalin's secret police struck him down in 1940. His murderer, the mysterious Jacques Monard or Frank Jackson, is serving a 20-year sentence in the Mexico City jail, his life saved by the fact that there is no death sentence in the Federal District. Rómulo Gallegos,

ejected from the presidency of Venezuela in 1948 by a military *putsch*, has resumed his life as a novelist, associating freely with the Mexican *literati*. General Pang Tsu Mow, accused of misappropriating official funds by the Chinese Nationalists, now lives quietly in the luxurious weekend resort of Cuernavaca. Anti-Communist Poles have created a flourishing dairy-farming community. An element of political sympathy sometimes creeps in; it was a left-wing government, for instance, which threw open the doors to the Spanish Republicans. Nevertheless, having itself suffered from violent civil warfare in this century, Mexico now seems eager to set an example of tolerance to other Latin American republics; there are no Mexican exiles today.

NOTES FROM CANADA

(These Notes are Contributed by Our Correspondent in Ottawa)

Liberal Cabinet's Twentieth Birthday

CANADA'S Liberal Government held no public celebration this autumn in honour of its 20th anniversary of uninterrupted office. But the two remaining Ministers who have been in office throughout this period no doubt made a private salute to themselves or the patience of the Canadian people or some pet object of private veneration. Mr C. D. Howe, now Minister of Trade and Commerce and of Defence Production, joined Mr King's Cabinet after the defeat of Mr R. B. Bennett's Conservative government on October 23, 1935. Mr J. G. Gardiner joined as Minister of Agriculture on November 4, 1935, and has held the same portfolio ever since. Mr Gardiner is approaching his 72nd birthday, Mr Howe his 70th. The Prime Minister, Mr St Laurent, is 73.

Between these three veterans and the rest of the Cabinet there is a considerable gap of age and experience which may partly account for the uneasiness of Cabinet relationships which is now being increasingly reflected throughout the government machine. For five or six years after Mr St Laurent became Prime Minister in 1948, the Cabinet enjoyed an almost preternatural sense of unity and well-being. Nobody would claim that for it now. In the view of most political observers it cannot yet be assumed that the electorate is losing confidence in the Government, and most Liberals think they are safe so long as they have the avuncular charm of Mr St Laurent to embrace the party. But the results of recent mid-term by-elections have been disappointing to the Government, and some people think it significant that a Cabinet vacancy has been filled by doubling up portfolios rather than risking another by-election in Quebec.

★ ★ ★

Defence Dilemmas

A SERIOUS examination of next year's defence estimates has just been started in Ottawa. Canada has not yet taken up any position in the difficult argument about establishing an integrated air defence system in Western Europe. But in the pressing terms of next year's budget some decision will have to be reached about the Canadian attitude to the extension or termination of the Nato infrastructure programme. Its extension might involve Canada, as well as the United States, in the form of defence aid which is least politically acceptable—straight dollar grants without detailed

power of supervision over their spending. On the other hand the military arguments for integration are impressive, at least to military men here.

A somewhat similar conflict arises over the projects now being executed for the air defence of North America. Politically Canadians can find almost as many objections as any European to the manning of defence installations by Americans. Militarily nothing but the most complete integration of North American defence makes any sense. There has been recurrent discussion in the press about the desirability of bringing back Canadian troops and RCAF formations from Europe in order to take over a greater share of the northern defence installations. But Canadian strategic thinking is impressed with the psychological importance of maintaining the Nato front in Europe. In the long run Canada will probably find itself practising the doctrines of Nato solidarity which it preaches. Northern defence will remain a shared responsibility of Canada and the United States, and Canadian forces will stay in Europe even if it is for their psychological rather than their military effect.

* * *

A Mug's Game with Wheat?

MR C. D. HOWE, who is the Minister responsible for the Canadian Wheat Board and its marketing policies, has made an impressive case to western farmers for the present policy of maintaining prices and trying to persuade the United States Government not to demoralise the world wheat market any more than its political necessities imperatively demand. But the farmers are naturally restive. With elevator capacity overflowing, they cannot deliver their stocks of grain to the local elevator where they get paid for it. They have been offered a Government scheme for guaranteed bank loans up to \$1,500 at 5 per cent on the security of their farm-stored grain; but many of them want the Government to carry the responsibility of selling their wheat and pay them for it anyway.

This demand is inevitable when American farmers just over the border get a higher price per bushel than any Canadian grower can hope for at the best of times and without having to worry whether the wheat is ever sold to consumers or not. But the Canadian authorities realise that there are no possible terms on which this country can compete with the resources of the United States Treasury if it comes to forcing wheat into consumption abroad. Price-cutting in conditions of world surplus seems to the farmers to be a mug's game, because no end is in sight. Washington, as it seems here, has the power to reduce wheat to an almost valueless commodity if it insists on doing so. But in its own interests it will probably stop short of the final plunge into the abyss, and Canada derives some comfort from the thought that importing countries, led by the United Kingdom, have no more wish than Canada to see the world wheat market driven back into the ruinous condition of the thirties.

* * *

The American Stake

IN the early postwar years it was common for observers from Britain and Europe to remark that Canada was "being bought up by the Americans." Most Canadians, in the glowing flush of their boom, were indignant at the aspersions or put it down to jealousy. Now the mood has changed.

Mr Walter Harris, who has been Finance Minister for less than two years, repeated in a New York speech the other day that 85 per cent of Canadian investment was still Canadian-owned; but he got less popular acclaim than his predecessor, now Mr Justice Abbott, could get a few years ago for a similar claim.

Nowadays any attempt to minimise the extent of United States participation in Canadian growth is met with more realistic questions. If it is true that Canadians still own 85 per cent of the national wealth, what does the 85 per cent consist of? It includes houses and real estate and farms and utilities. But how much of the dynamic resource development does it include? No adequate statistical study is now available, though an attempt is now being made to provide one for the Royal Commission on Canada's Economic Prospects. But the available indications point to a predominance of American control in some of the most prosperous sectors of the Canadian economy—particularly in oil and gas.

These indications are getting increasing attention, even in the financial and business circles which were at one time the most ready to welcome American capital. Such an influential organ as *The Financial Post* of Toronto is repeatedly urging American companies to make a deliberate effort to expand the Canadian ownership of their Canadian subsidiaries. It is beginning to seem possible that unless they do this, Canadian public opinion could break out in active revolt against "absentee ownership."

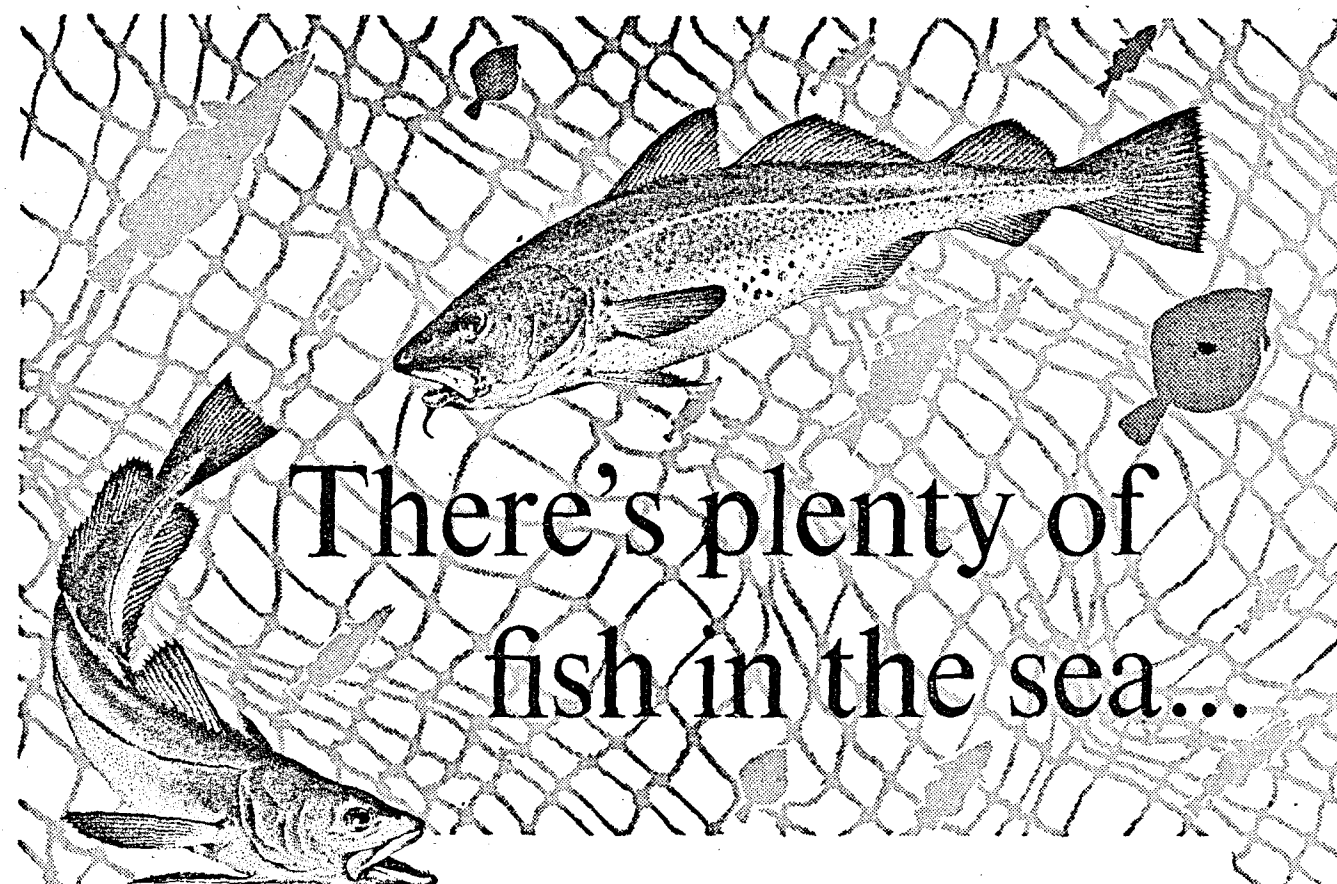
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Newfoundland Cod—Frozen, not Dried

NEWFOUNDLAND and Nova Scotia are feeling very pleased with Soviet Russia this year because Moscow has bought up Iceland's frozen fish, and thereby removed the most serious competitor for Canadian frozen fish in the American market, where tariff troubles are constantly liable to crop up.

Newfoundland is still producing the same amount of fish (about 1.2 million dry quintals a year) as it did thirty years ago. But more than a quarter of it is now processed into frozen fish blocks in newly established processing plants which have to look to the American market. The tedious process of dry-salting the cod, which requires endless labour for turning the fish-flakes in the sun, used to be the Newfoundland fisherman's way of preparing his fish for market in the Caribbean and the Mediterranean. But it has fallen into disfavour, both because of currency difficulties in these markets and because of the new independence of the fishermen's families since the Union with Canada. With family allowances and old-age pensions bringing a cash income into homes which had seen remarkably little cash in the old days, family labour is hard to recruit.

Employment in the fisheries, moreover, has declined to about one-third of what it used to be—about 15,000 compared with 45,000. Many of the fishermen, then as now, fish for only a few months and find other occupations for the rest of the year. The increasing scope of pulp and paper operations by Bowaters and the Anglo-Newfoundland Development Company accounts for some of the new employment. Possibly even more comes from the public works instituted by the Canadian Government, which have amounted to about \$25 million since the Union of 1949; and from the construction and maintenance work at the American military bases on the island.



There's plenty of
fish in the sea...

it should be cheap... it's free, isn't it?

It has been said that "Britain is an island made of coal and surrounded by fish." That's perfectly true in a sense and might lead you to suppose that you can get all the fish you want at next to nothing!

However, it's not quite as easy as that! Our island is surrounded by fish all right but it's not *closely* surrounded, for the near waters are largely fished out, and the great shoals are today only to be found far away in wild and icy, distant waters. Yes, there's plenty of fish in the sea, but getting them out of the sea and bringing them home to you is one of the most difficult, dangerous and expensive jobs in the world. The ships of Britain's Distant Water Fleet have to be built to fight the heaviest weather, and equipped with the latest and very expensive radar and electronic devices so that they can find the fish many fathoms deep in the great Arctic wastes. They cost upwards of £200,000 and a voyage of three weeks—a week out, a week fishing and a week home—costs about £6,000.

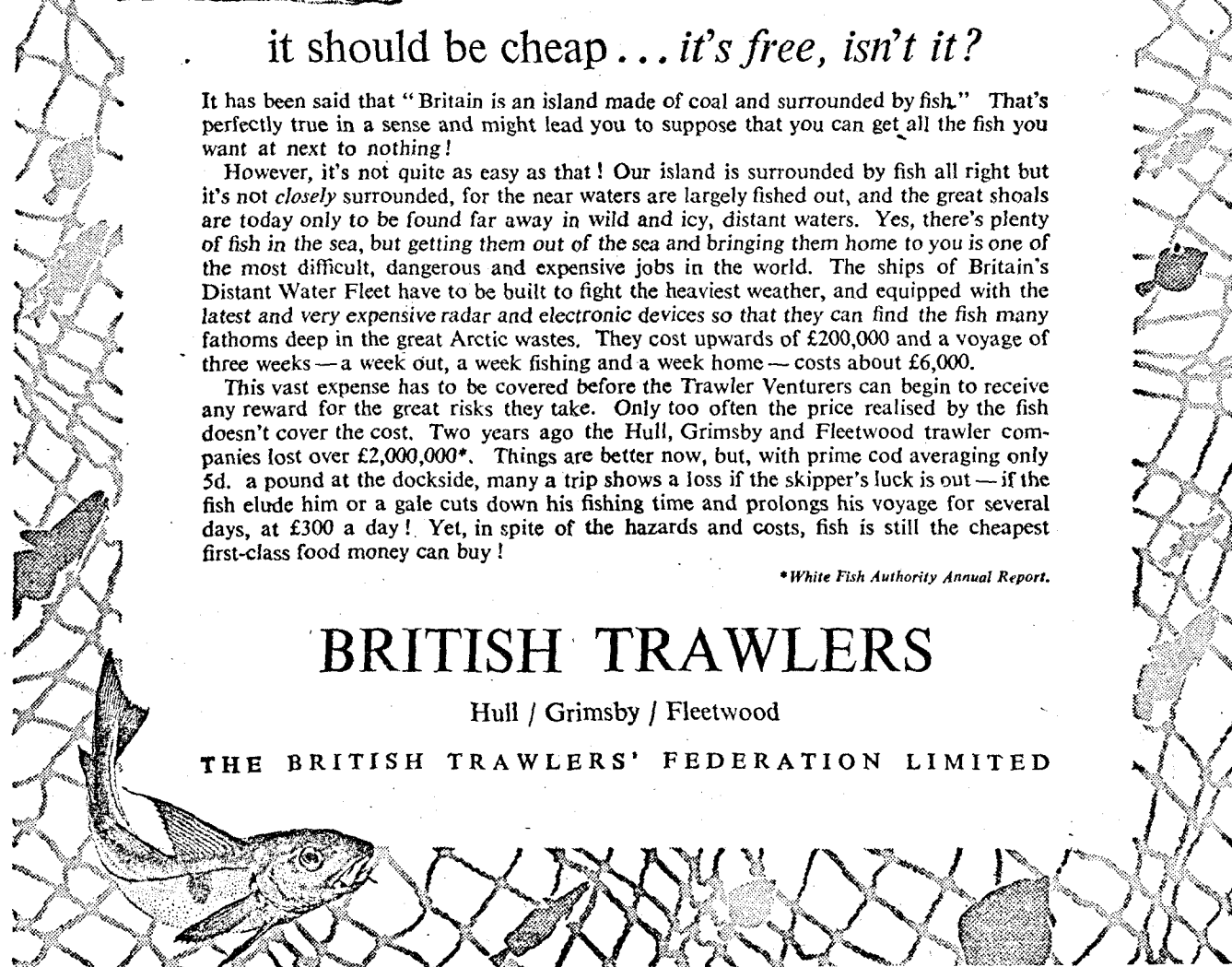
This vast expense has to be covered before the Trawler Venturers can begin to receive any reward for the great risks they take. Only too often the price realised by the fish doesn't cover the cost. Two years ago the Hull, Grimsby and Fleetwood trawler companies lost over £2,000,000*. Things are better now, but, with prime cod averaging only 5d. a pound at the dockside, many a trip shows a loss if the skipper's luck is out—if the fish elude him or a gale cuts down his fishing time and prolongs his voyage for several days, at £300 a day! Yet, in spite of the hazards and costs, fish is still the cheapest first-class food money can buy!

*White Fish Authority Annual Report.

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Production needs power. Fifty power stations have been brought into commission by the Central Electricity Authority since April, 1948; output of current has risen by 60%. Many of the turbines, generators, transformers and other equipment were provided by ENGLISH ELECTRIC.

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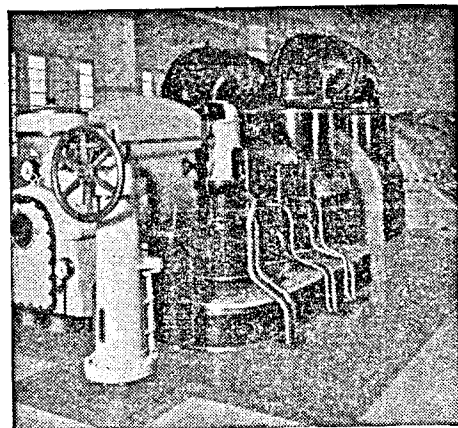
To YOUNG MEN and their PARENTS

To any boy or young man considering a career in science or engineering, ENGLISH ELECTRIC offers almost unlimited opportunities. As a student or graduate apprentice, he will receive first-class training under excellent conditions, and can look forward to a choice of stimulating and rewarding jobs, at home or abroad, in this great organization. For details of ENGLISH ELECTRIC training schemes, please write to the Central Personnel Department.

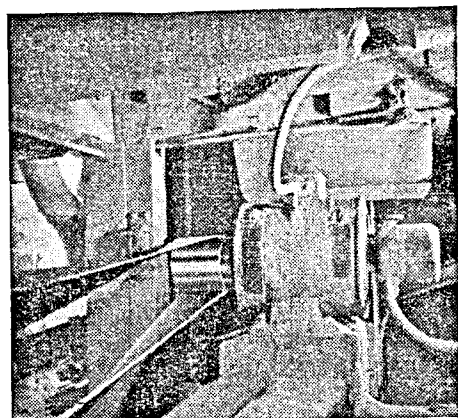
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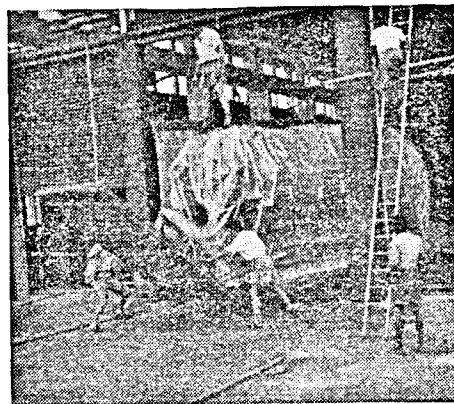
The English Electric Company Limited, Queens House, Kingsway, London, W.C.2



POWER FOR INDUSTRY. This 60,000-h.p. steam turbine generating set is one of six supplied by ENGLISH ELECTRIC to Whitebirk Power Station in Blackburn, which provides power for Lancashire industries.



POWER IN INDUSTRY. An ENGLISH ELECTRIC 85-h.p. screen-protected motor drives a Kennedy crushing machine in the Groby Granite Quarries. ENGLISH ELECTRIC motors are used to drive machinery in a great variety of industries in Britain and all over the world.



DEVELOPING MARKETS OVERSEAS. An ENGLISH ELECTRIC 1,440-b.h.p., 600-r.p.m. diesel engine is unpacked at Accra, Gold Coast, where three similar engines and two of 558-b.h.p. are installed in the power house.

THE BUSINESS WORLD

Adventure in Copper

THE best view of the Rhodesian copperbelt is from the air. The dark sweep of the bush is threaded by the roads and railways linking one mining centre with another, each centre a small clearing wrested from the bush. To the north-west of the copperbelt stretches the corridor that has been hacked through the bush to bring hydro-electric power from the new Belgian station on the Lualaba river, 300 miles away. Construction there is ahead of schedule, and its generators should come on load by the end of 1956. The copper companies are laying their own power lines, just as they have built roads, railways, houses and shops, hospitals and schools. In Central Africa, mining is much more than digging holes in the ground.

Northern Rhodesia now ranks second among the world's copper producers. One day it may be the first. As the copper mining business grows, so will the new Federation of the Rhodesias and Nyasaland grow. Already the taxes paid by the copper companies provide over half the Federation's revenue and copper makes up over 60 per cent of the Federation's exports. For many years more the Federation will have to rely upon the companies to help to provide such services as power and transport. It is upon the companies, too, that the main responsibility for bringing about a working partnership between black and white rests.

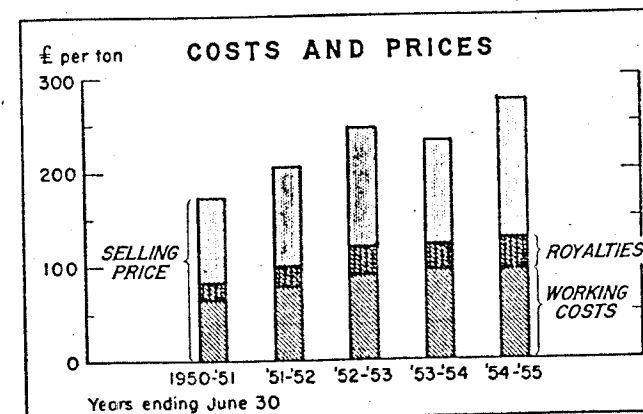
In what shape are the companies to face these tests? The financial year ending last June was an eventful, even historic, year for them. Consumption of copper was buoyant; production in Rhodesia and elsewhere was hobbled by strikes,

and the shortage drove copper up to a record price of £400 a ton. In an attempt to secure a measure of price stability the Selection Trust group (but not the Anglo American group) started to sell at a fixed price instead of on the basis of London Metal Exchange prices. In this year, too, the Federation government decided to go ahead with the Kariba hydro-electric scheme—a decision that should assure adequate supplies of cheap power for the copperbelt after 1960. Finally came the agreement between the European workers' union and the companies on the advancement of African labour.

The trading results of the four producers had a virile look. The loss in revenue and the extra costs arising from the strike were largely offset by the higher price of copper; profits from all four producers were bigger, though those earned by Rhokana expanded less than those of the other companies. The strike reduced stocks in the pipeline between the mines and overseas consumers, and the Anglo American group specifically makes sure that sudden arbitrary alterations in these stocks do not distort profits; it balances them by transfers to and from a sales equalisation reserve.

The trend in costs is also reassuring, for the rise in operating costs (shown in the accounts of the two

groups on slightly different bases) has slowed down. Earnings were high enough in all four companies to provide for immediate capital needs and for bigger dividends. Stockholders expect rising dividends from young mines, but they should note that capital development still makes big claims on profits and that one parent group, Selection Trust,



distributes rather more closely to the hilt than does the other.

Stockholders in the Selection Trust companies have to put a further question. How is the policy of fixed prices likely to affect earnings and dividends? In the April-June and July-September quarters the profits of Roan Antelope and Mufulira must have suffered, because the fixed price was usually well below the market price. The "loss" of profits cannot be calculated, for the group always sells an undisclosed part of its output in America at fixed prices. And the latest quarterly

returns issued by Roan and Mufulira show a sturdy advance in sales and profits.

Certainly Mr R. L. Prain, the chairman of the Selection Trust companies, does not conceive his fixed price policy as a subsidy to consumers, though he does believe that it is worth forgoing a short-term advantage in prices in order to safeguard the markets for copper from encroachment by other materials. At the moment both groups can sell in full at different prices, but only because there is a demand for all the copper they can produce—and more. If the free price were to fall because of a surfeit of copper, Selection Trust would have to meet the market, and the concession it has made to consumers on a strong market could not be recouped on a weak one.

What else lies in the future? There is still a heavy development programme running up to 1960. But most of the money has been found or will be found from earnings. When Chibuluma (with an output of about 20,000 tons of copper and 250 short tons of cobalt) and Bancroft (which by 1960 should produce about 85,000 tons of copper a year) are in full production the total capacity of the copperbelt in 1960 should be over 500,000 tons, compared with 400,000 tons a year at present. The two new electrolytic refineries will have been completed before then. And there is the possibility that the exploration programmes being carried out by Selection Trust at Baluba and Chambishi and by Anglo American at Kansanshi will have produced tangible results by then. The programme does not stop there. Both groups are setting aside large sums for power supplies, housing and other services. The magnitude of the programme can be gauged from the estimate that the Anglo American group alone will be spending well over £20 million in the next five years. That leaves out of account the substantial sums both groups are willing to invest in the Kariba scheme.

Expansion of this order is founded upon two assumptions. Firstly, that the consumption of copper will continue to grow and secondly, that the costs of

production in Rhodesia will continue to compare favourably with those in the rest of the world. Both assumptions appear reasonable. Consumption of copper may not immediately match the expansion in output planned in Rhodesia and elsewhere. But the additional output is unlikely to be pushed on the market at the expense of prices, for much of it is under the control of a few American companies prepared to defend the price. Moreover, so long as the sterling area is a net importer of copper, Rhodesian producers will naturally feel that their market should be assured. On the cost side of the equation three facts can be set against the steady rise in the cost of materials:

(1) Royalties, an element in costs, fall if the price of copper falls.

(2) Savings can be expected in fuel costs, initially through an improvement in transport facilities for coal and later from the use of hydro-electric power from the Lualaba and more especially the Kariba scheme.

(3) There is scope for raising productivity below the surface and even more so above ground (automatic control systems, for example, are now being introduced).

The copper companies are, in fact, in vigorous manhood. This is reflected in the secular decline in yields offered by Rhodesian copper shares. From mining assets stockholders expect—and will undoubtedly receive unless the bottom falls out of the market—rising dividends. But they must also realise that the copper producers have accepted the responsibility for playing a full part in the development of the Rhodesias—a part

that goes well beyond the business of mining copper. Both groups have active exploration programmes outside the copperbelt. Both have spent and will spend money on hydro-electricity. The Anglo American group has set up a development corporation which has already agreed to spend £5 million on rolling stock

PRICES AND DIVIDENDS

Company	Main Holdings	1955		Price 22nd Nov.	Dividend 1954/5*
		High	Low		
Rhod. Selection Trust 5s.	64% Mufulira	58s.3d.	29s.6d.	48s.	2s.11½d.
Rhod. Anglo Amer. 10s. ...	52% Rhokana 21% Nchanga 1½% Bancroft	6½	4½	5½	7s. 9d.
Rhokana £1 ...	34% Nchanga 47% Bancroft	50	31½	42	52s. 6d.
Roan 5s.	—	30s.7½d.	23s.9d.	25s.3d.	2s. 6d.
Nchanga £1 ...	—	17½	11½	14½	22s. 6d.
Bancroft 5s. ...	—	46s.6d.	34s.6d.	40s.1½d.	—

* After deduction of Rhodesian taxes.

that it will hire to the Rhodesian railways. The Selection Trust group is interested in a cattle-breeding ranch and in the agricultural potentialities of the Kafue Flats. The examples could be multiplied, but they all point, as Mr Harry Oppenheimer said recently, to "development plus five per cent." Nor is this solely enlightened self-interest. The copperbelt is, after all, in a country named after a great capitalist—and a great pioneer.

Mr Ferguson and the Motor Industry

LONG before Mr Harry Ferguson resigned the chairmanship of the Massey-Harris Ferguson combine formed to take over the rights of his hydraulic tractor-implement linkage and retired to Stow-in-the-Wold, rumours had been accumulating about a revolutionary new vehicle—jeep, people's car, or agricultural runabout were the favourite guesses—that he was preparing to launch on the motor world. In effect, these were broadly true: Mr Ferguson has returned to an earlier brainchild put aside 25 years before, the time when he decided the tractor came first. In detail, the rumours and forecasts about his new vehicle were largely speculative, based sometimes upon tidbits culled from people who had seen at least some of the earlier experiments. This summer, when Mr Ferguson had tested his eventual prototypes to his final satisfaction and began to seek manufacturing facilities, speculation naturally redoubled—and it has now become fanciful enough to embarrass the organisation that has now been fortified by the acceptance of a seat on its board by Sir Miles Thomas and the weightily-expressed approval of Lord Chandos.

Any such embarrassment is Mr Ferguson's business—he is not without talent or expert assistance for backing into the limelight. But it is easy to appreciate that he finds it ticklish to know what to say about a vehicle that at best could hardly be on the market for two or three years. And it may be in the public interest that his current purpose should not be smothered in speculative froth. He is trying to interest some established organisation, capable of manufacturing in sufficient volume to ensure cheap output, in his new vehicles. They use a chassis system that does sound to some extent revolutionary, but Mr Ferguson avers that it is simple and practical and gives remarkable motoring qualities.

The Economist is not among the distinguished and growing company whom Mr Ferguson has taken for a ride in the mud in one of his vehicles; all it knows about them is what the company has told it. What is on offer, it is said, is a light, simple and cheap motor vehicle chassis with automatic transmission and optional four-wheel drive, with exceptional braking qualities that largely obviate the possibility of a skid; fitted with

COPPER DIVIDENDS AND TAXATION

A notional calculation of tax deductions on dividends declared by the Rhodesian copper producers is as follows:—

	s. d.
Gross dividend per share.....	20 0
Less:—	
Rhodesian income tax at 6s. 3d. in £	6 3
Northern Rhodesian surcharge at 1s. 3d. in £.....	1 3
	7 6
Net dividend received in Britain.....	12 6
Less:—	
British income tax at 4s. 3d. in £ (i.e. half standard rate) on the net dividend of 12s. 6d. grossed up at 4s. 3d. in £, that is 15s. 10½d.	3 4½
Net amount per share.....	9 1½

The deduction of tax at the reduced rate of 4s. 3d. in £ instead of at the standard rate of 8s. 6d. in £ represents a provisional allowance of unilateral relief at 4s. 3d. in £. The final rate of relief allowable to an individual shareholder depends on his personal rate of tax. If, for instance, the shareholder has an "effective rate" (i.e. the rate calculated by dividing his total tax by his total income) of 7s. 6d. or more in £ he can claim 3s. 3d. out of the 4s. 3d. provisionally deducted. Then he will have had to bear 7s. 6d. in Rhodesian tax and 1s. in British tax. If the shareholder's effective rate is less than 7s. 6d. in £, then he can claim relief on the difference between 4s. 3d. and his "effective rate." Thus the shares are more attractive to shareholders paying a high rate of tax than to tax free funds.

SALES AND EARNINGS (£'000s)

	Rhokana Years to June 30,		Nchanga Years to March 31,			Roan Antelope Years to June 30,		Mufulira Years to June 30,	
	1954	1955	1954	1955		1954	1955	1954	1955
Sales revenue	20,865	22,913	23,736	29,067	Sales revenue	19,480	21,578	19,416	22,781
Operating costs	10,159	11,788	8,600	9,778	Investment income	296	330	198	360
Development, etc.	562	580	996	1,106	Operating costs	11,136	11,718	10,154	11,226
Other charges	1,232	1,264	1,097	1,313	Replacements	1,000	1,000	1,250	1,500
Surplus	9,327	9,849	14,211	16,328	Profit, before tax	8,037	9,819	8,414	10,814
Investment income ..	3,819	4,122	142	312	Taxation	3,308	3,896	3,543	4,420
Profit, before tax	12,994	13,682	14,218	16,362	Net profit	4,729	5,923	4,871	6,394
Taxation	3,450	3,660	5,376	6,180	Ord. dividends	3,932	4,494	3,819*	5,509
Net profit	9,544	10,022	8,843	10,182	Retained profits	790	1,379	1,047	921
Ord. dividends	6,250	6,563	7,000	7,875					
Retained profits	3,649	3,412	3,140	2,307					

* Excluding special dividend of £1,750,000 paid out of balance of general reserve.

four-wheel independent suspension, it offers very good road-holding qualities (using the four-wheel drive, for example, in fast cornering) and better off-the-road performance than any motor vehicle the Ferguson organisation has been able to find to test in comparison.

Few technical details have been released for publication. The automatic transmission is what it says, not merely an automatically-operated gearbox; the company is confident that it could be produced for a third of the cost of the American units now fitted to cars such as the Rolls-Royce, Bentley, and Armstrong-Siddeley. The four-wheel drive is not based upon individual drives or turbines for each wheel, nor is there any question of braking by some reversal of hydraulic force; braking is by inboard disc brakes fitted to a mechanical transmission, automatically distributing the braking force necessary to each wheel through the axle differentials. This inboard system, dispensing with brake drums and simplifying the anchorage of the wheels to the chassis, lightens the whole chassis and in particular the unsprung weight. The four-wheel independent springing uses vertical coil springs. Any engine one likes to use can go more or less anywhere one likes—Mr Ferguson's concern with where it goes has been confined mainly to its effect on the weight distribution and road-holding qualities.

This chassis system is at present mounted in four different types of vehicle, prototypes of which, as Lord Chandos emphasised this week, are on offer without commitment to manufacturers for experiment and test. They are:

1. An ultra-light military version, with a motor-cycle engine, built to carry four men who could if necessary manhandle it over a wall;
2. A larger, jeep-style military vehicle, which the company claims to have superior performance, especially on rough ground;
3. A civilian estate car, "with performance comparable to a jeep"; and
4. A 4-5 seater family saloon car.

Both automatic transmission and four-wheel drive, to automotive engineers, ordinarily sound expensive. But the company's cost estimates suggest that, given volume comparable to current popular family cars, this car version could be produced at a cost comparable to the present medium-sized popular cars or even slightly below. At such a price, if all the claims were sustained, it would offer safety and convenience superior to far more expensive vehicles, outside the popular price range. The economy of the family car version has recently been improved to better than 30 miles per gallon.

A number of distinguished engineers from the Services and from industry have examined and tested these latest prototypes: none, as yet, from the motor industry, though at times during the development period discussions did take place with some of them. It is an open secret that the major motor manufacturers,

up to now, have been inclined to say that they have already on their plates plenty of cars to make and plenty of plans for cars to make next. It is also clear that Mr Ferguson, ideally, wants a major motor manufacturer to produce his vehicles—and a British one.

Other obvious possibilities have not been neglected. Certain British engineering companies outside the motor field have expressed interest, and there has been talk of raising money in the City to set up a big new vehicle manufacturing concern. A completely new manufacturing venture, at any rate, sounds rather unlikely: Mr Ferguson, by temperament the inventor *par excellence*, has never seemed anxious to burden himself with the organisation of production. It seems rather more likely—in spite of the official interest of which Sir Miles Thomas's appointment may to some extent be a symbol—that he would if necessary go abroad to produce, as he went to Detroit in 1940 with the tractor system. Whether that would entirely preclude manufacture in Britain is purely conjectural, as Mr Ferguson is known to favour eventual local assembly and manufacture of his products in major markets. But he would clearly prefer, however and wherever an assembly network might develop, that the nucleus should be British.

★

Official "encouragement" such as assisted Mr Ferguson to find a manufacturer in Britain for his tractor system (and proved an excellent bargain for the Standard Motor Company) no longer takes place, and should not. The big motor companies are entirely capable of making up their own minds whether manufacture of this highly unconventional chassis would offer rewards exceeding the inconvenience, and possibly the extra risk, of altering their own long-term plans, and nobody can assist them. They are now being offered the fullest opportunity of examining its possibilities before doing so.

Their decisions, no doubt, will depend partly upon the vehicles' intrinsic qualities, both in saleability and potential ease in manufacture—and partly upon their reading of motor market prospects at home and abroad, for this or more established types of vehicle. Some of them would reject even the question whether the current British range of well-produced conventional cars is now beginning to design itself out of markets that take for granted certain features which the British industry still considers to be eccentric. Nor everyone would give as blunt a reply to that question as Mr Ferguson sometimes does; but many people are beginning to ask it. Confidence in the flexibility of mind and progressiveness of design of the British motor industry does not finally rest upon what the industry decides to do about Mr Ferguson's vehicles. But it could possibly be affected by the thoroughness with which the major companies examine his project before they make up their own minds.

Business Notes

The First City Borrower

GLASGOW (which once refused to accept the terms proposed for a loan on the London market) is the first of the local authorities to make a stock issue since automatic access to the Public Works Loan Board was stopped four weeks ago. It is issuing £5 million 4½ per cent stock, 1966-68 at 98½, on which the effective yield to redemption will be £4 18s. 2d. per cent. To keep the discount at a moderate size, Glasgow has found it necessary to borrow at the slightly awkward coupon rate of 4½ per cent and for a shorter term than had recently seemed necessary. Evidently the Northern Ireland Electricity issue has set the standard for a maximum life of 13 years, and this stock, it may be noted, is yielding only a penny or two less than 5 per cent to final redemption.

With a succession of local authority stock issues in prospect, a resounding success for Glasgow when the lists open next Wednesday would greatly help, but on present signs the response is likely to be dutiful rather than enthusiastic. Nor is the rate that Glasgow is paying—say, 5½ per cent, including all costs—likely to deter other local authority borrowers from seeking mortgage money, if they can find it, at the same rate and for the same term. One county is understood to have negotiated a considerable sum at 5½ per cent for ten years. Other smaller authorities are considering approaches to ratepayers in the expectation that local patriotism will give them some slight advantage in the rate that they will have to pay.

The authorities at present have a healthy fear that the board will say only No in the future. This fear is exaggerated, but if the mortgage and stock markets are able to supply an appreciable part of their needs, so much smaller will be their dependence on the PWLB. Release from the seven-year minimum for mortgages, which the Chancellor is considering, would open the new field of three-year mortgages—for which the authorities might be prepared to pay considerably more than the present 7- and 10-year rates. No doubt the possibility of incidental embarrassment that might then result for the Exchequer is one factor in the Chancellor's deliberations.

Investors Mark Time

Too many issues chasing too few investors—that is the common diagnosis for the present malaise in investment markets. The condition cannot quickly be cured if the credit squeeze is to do its work. Bank loans are hard

to get and capital projects that are well advanced are equally hard to postpone. And has not Mr Butler assured the National Production Advisory Council that the government has no intention of cutting back productive investment? The backlog of capital construction demand in this country is, he said, sufficient to maintain full employment for a long time.

How can the market be expected to react against such a background? Clearly the scope for any broad advance among industrial shares and, until reductions in public expenditure become effective, among gilt-edged stocks also, is limited by the knowledge that an increased flow of new issues is ready to take off any head of steam that may develop. But within that limitation the market has behaved well. There has been little selling and a trickle of buying has held prices a shade better than steady. The *Financial Times* government security index on Wednesday was 90.78, compared with 90.70 a week earlier. The industrial index was 189.9, compared with 189.4. It seemed that some of the cash resulting from the repayment of the Serial Funding at the beginning of last week was still seeping into the gilt-edged market. The new issues—not considerable in volume—were being well absorbed. The private placing with quotation of £3,608,000 3½ per cent Cyprus stock 1960/71 had no effect on the gilt-edged market. Nor indeed is it being sold on the market. In the industrial market there was a rush of stags, in contrast to the general behaviour of the market, for the 5s. ordinary shares of Hall Engineering. As this issue goes to press the results of the offer of 1,400,000 £1 6½ per cent preference shares at par and the same number of ordinaries at 6s. 9d. is unknown, but it is certain that the offer of ordinary shares was many times over-applied for.

These signs show the market in good heart, encouraged by the high export figures for October and by the fact that the current tone of sterling seems to promise that the November gold and dollar figures may not be bad. They cannot be read as indications of an early broadening of business or of a quick return to the optimism of midsummer.

Car Makers' Confidence

CAN the expanding output that the motor industry plans be sold? If home demand contracts by reason of taxation or saturation can the export market take the balance? That is the question Sir Leonard Lord poses in his statement to the shareholders of British Motor Corporation (which, together with the accounts of one of the chief suppliers of the motor industry, Joseph Lucas, are discussed on page 783). The question is echoed in the

recent speeches of other motor company chairmen and paraphrased in the conservative dividend policies these companies have pursued.

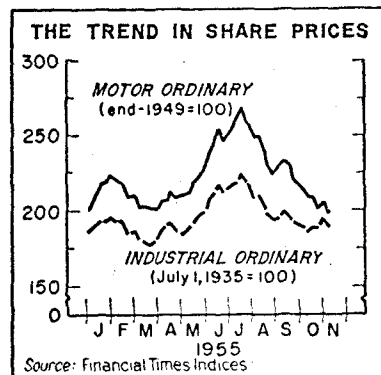
As far as British Motor Corporation is concerned, Sir Leonard believes the answer to be Yes. But in the same breath he draws attention to the "growing strength of foreign competition and the adverse effect of continually rising costs of wages and materials." The drag of rising costs on profits is as apparent in the British Motor accounts as it was in the half-yearly statement of Ford Motor and, even more noticeably, in the accounts of Rootes Motors, which showed a slight dip in earnings despite a rise in production to a record level. Many of the manufacturers, but not British Motor, have tried to offset these increases in costs by raising selling prices. British Motor did not raise its prices because it hopes that the expanding output it has planned will counterbalance the rise in costs. A similar decision was taken by Joseph Lucas, but both Sir Leonard and Mr A. B. Waring point out that it is the high level of production alone which makes this policy possible.

It may seem strange that the motor manufacturers, after their recent record-breaking achievements and with capital expansion programmes well under way, should be chary of predicting higher profits and, by implication, higher dividends. Indeed, Sir Leonard discusses the possibility of lower profits. But they can point to the facts of rising costs, the credit squeeze and the costs of their capital programmes, and to the imponderable effects of an increase of purchase tax at home, of import restrictions in the Commonwealth and of competition from foreign manufacturers.

Steel Makers' Risk

THE biggest risk that may be involved in the car makers' confidence that they can sell the increased output all of them are planning is the one that they are asking the steel industry to take. It would cost roughly £100 million to put down a fourth integrated strip mill, probably more than all the major motor manufacturers plan to spend put together. Sir Patrick Hennessey complained at a press conference a fortnight ago that the steel industry had failed to keep in step with the forecasts of demand that the motor industry put before it two years ago. That is undoubtedly true; Britain is importing about 450,000 tons of steel sheet this year, and the motor makers are having to pay the world price for it. But to increase steel output—even at existing mills—is more of a step-by-step process than pushing up car production; and in terms of investment in new capacity it costs a vast amount more.

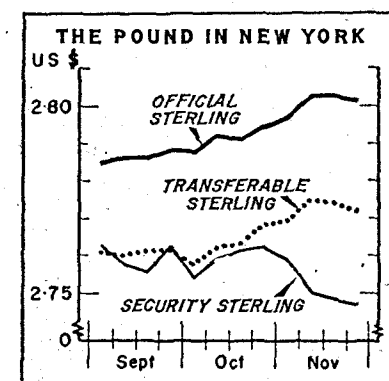
The steel industry, therefore, has for eighteen months been making plans to stretch flat steel output at the existing three mills to the limits—which have been found to be more



flexible than was believed even six months ago. At present, output from these mills is exceeding $1\frac{1}{2}$ million tons of hot rolled strip a year; announced and prospective increases in capacity at all of them may raise this to about 3 million tons by about 1959. The increases in motor production that manufacturers now contemplate would require more flat steel than that, and their hopes for the early sixties would push a good way beyond. Whether those plans and hopes justify putting down a fourth strip mill now is the hundred-million-pound question, which is still undecided, though a project—as yet still in outline—exists.

Europe Buys Sterling

THE foreign exchange market has this week provided an interesting contrast. Sterling has been losing ground against both US and Canadian dollars but has shown further advances in terms of most European currencies. The weakening of sterling against dollars reflects partly the emergence of seasonal demand for dollars—a demand that has been particularly strong for Canadian dollars required to pay for grain. The Canadian dollar which at one point fell to parity with the US dollar rose in London towards the end of the week to \$2.80, which represented $\frac{1}{8}$ premium on the US rate. In terms of the US dollar sterling has also weakened slightly. The spot rate of \$2.80 $\frac{1}{2}$ compares with \$2.80 $\frac{1}{4}$ in the middle of this month; the weakening is believed to be due to official purchases against forward sales. These official "swap" operations may have had something to do with the change in the underlying tendency of the forward dollar market following the rise in the official rediscount rates in the United States and Canada and the accompanying stiffening of open market rates in New York. Normally this credit stiffening would have been followed by a narrowing of the forward discount on sterling against dollars. In fact, the forward rates this week have been



as steady as a rock—a fact that may reflect official intervention implying the acquisition of more dollars for the Exchange Equalisation Account this month. The Exchange Equalisation Account will also have benefited from the persistent covering of short accounts in sterling by operators on the Continent, which has been the dominant feature of the exchange market this week. The open position, which is far from covered yet, is said to be particularly large in Stockholm, Brussels and Zurich. During the past week the Swedish rate has moved from 14.51 $\frac{1}{2}$ to 14.53 $\frac{1}{2}$, the Swiss rate from 12.24 $\frac{1}{2}$ to 12.26 $\frac{1}{2}$ and the Brussels rate from 139.65 to 139.82. The impression of dealers in the market is that the volume of business in Continental currencies has been substantial and that this will show itself both in the gold and dollar figures for November, and in the EPU figures for the same month.

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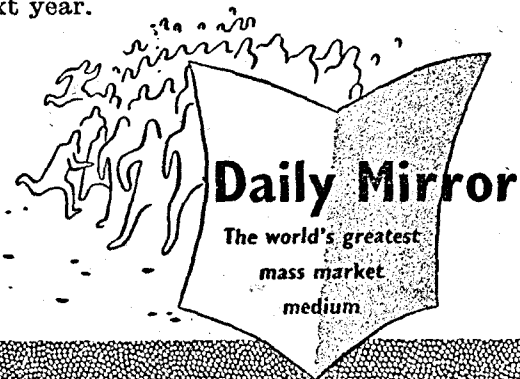


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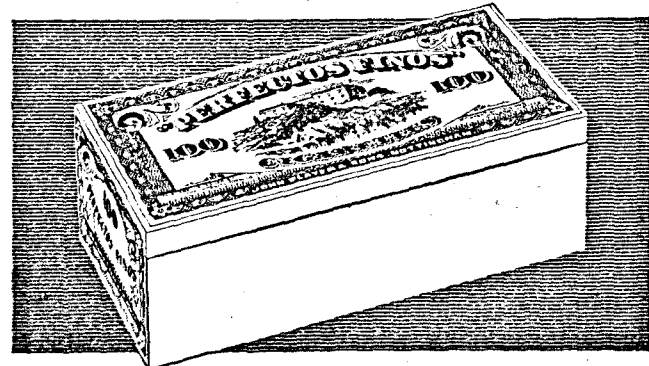


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On this evidence the November statement should reveal an appreciable recovery in the gold and dollar reserves, the amount gained in the course of market operations being greater than the loss sustained by the settlement this month of the October deficit with EPU.

The Squeeze Tightens Slowly

IF the credit squeeze is judged solely by its effect on the outstanding volume of bank advances, it is developing only slowly. All but one of the individual statements from the clearing banks for the mid-November make-up—the aggregated statement is not yet available—show a further contraction of advances, and the total decline, of just over £51 million in four weeks, looks impressive at first glance. At end-October, however, the Central Electricity Authority received a further £50 million for the penultimate call on its £200 million issue. After allowing for its current expenditures and for those of the Gas Council, this probably means that about £35 million of the month's decline in total bank advances was due to net repayments of bank indebtedness by these two nationalised industries, so that the outstanding loans of all of the borrowers from the banks were reduced by only about £16 million. A similar calculation to allow for the effect of a call on the gas loan in the preceding four-week period suggested that the private sector's loans then declined on balance by about £12 million—but the smallness of this movement was partly explained by the £8½ million rise, believed to be due to special temporary influences, in the advances of one bank. It therefore appears that the pace of decline has been barely maintained in the latest period.

The force of the credit squeeze cannot be adequately measured, however, simply by this test. Ultimately, it must depend upon the impact on the whole volume of credit, and this has risen seasonally during the past month by less than half as much as it did in the corresponding period last year. Because of the pressure of the squeeze in its wider sense, the banks have had to take further steps to strengthen their liquidity. Their investment holdings have declined by a further £47.8 million—obviously because of retentions of unconverted holdings of the Serial Funding stock that matured on November 14th. The Midland Bank, which accounted for no less than £27.7 million of this movement, has stated that the reduction in its portfolio—the first for more than a year—was wholly attributable to this factor. In consequence, its liquidity ratio has risen sharply, from 32.2 to 35.0 per cent, at which it is now the second highest among the big five banks. The highest is Barclays—at 36.2 per cent.

TI and Automation

THE comments about automation in industry made by Sir Ivan Stedeford in his statement to stockholders in Tube Investments last week showed a fuller and more balanced appreciation of its implications than any other industrial leader has publicly displayed. Sir Ivan was

familiar with its uneven rate of progress, and the fact "that here in the United Kingdom automatic methods are likely to be applied more widely to particular processes and assembly lines than to entire factories." He presented the main economic argument for a more rapid pace of mechanisation in clear perspective: that by achieving higher productivity in this way, probably at the cost of greater standardisation in much of industry's output, "we should be nearer a solution of the embarrassing conflict between internal economic expansion and external financial solvency which has harassed us ever since the war." And he had what seems broadly the right answer to the inevitable question whether automation need lead to unemployment: that so far it appears likely to create as many production jobs as it will abolish, but that it may well thin out white collar workers. Automation, after all, has come to the factory at a point when the first stage of primary mechanisation is largely complete; on the office floor, that stage is only half begun.

Tube Investments, which has invested heavily in further mechanisation of its plants since the war, has recently set up a "control engineering section" in its technological department, which is generally concerned with the practical application of research results achieved in the group's laboratories. Other sections of this department, incidentally, include a section concerned with the commercial application of irradiated materials: and the group, which has produced already a wide range of special tubes and couplings for the British atomic energy industry, has now set up a liaison organisation to co-ordinate the services of its subsidiary companies to the new industry.

Testing the Diesels

MOST of the 141 main line diesel locomotives the Transport Commission has ordered from makers in this country and the 30 locomotives it will build in the railway workshops with power plant supplied by sub-contractors are a little smaller and less powerful than may have been expected from the Commission's earlier statements. Three-quarters of these locomotives will be between 1,000 hp and 1,250 hp for hauling mixed traffics and only twenty-five will be heavy-duty engines of 2,000 hp and over; the other twenty will be 800 hp freight locomotives. But these 171 locomotives are needed for a pilot scheme of extensive operation trials in two to three years' time, before British Railways finally makes up its mind about the types of diesel locomotives it will use. Altogether 2,500 main line diesels are to be built by 1970; the range of variation in engine size and performance opened up by diesel traction are very wide—with electric traction, which is to come later, the range is perhaps even wider.

These orders, to a total value of about £10 million, have therefore been spread over the six major groups of main line diesel locomotive builders in Britain (some tenders came from overseas) and manufacturers have been encouraged to incorporate their own ideas of design and construction within the general specifications laid down by the Commission. English Electric, the largest firm in the diesel electric field, is to build 30 type B locomotives of 1,000 hp to 1,250 hp, and 10 type C of 2,000 hp. Its

immensely powerful 3,300 hp Deltic locomotive is already in the hands of the Commission for trials. Orders for 31 locomotives have gone to North British—10 of type A (800 hp), 16 of type B, and 5 of type C. This firm uses Paxman engines for diesel electric locomotives; and its contract includes the 11 diesel hydraulic locomotives the Western Region plans to use west of Exeter. Since 1954 North British have been building MAN engines and Voith hydraulic transmissions under licence. Orders for another 60 type B locomotives are shared by Metropolitan Vickers, which uses Crossley engines, by Brush Bagnall, a company jointly owned by the Brush Group and Heenan and Froude, and by Birmingham Railway Carriage. British Thomson-Houston, besides building 10 800 hp locomotives itself, will supply the railway workshops with power plants for 20 type B locomotives.

The 10 type C locomotives the workshops are to build will have Swiss Sülzer engines, which are also made here under licence. The locomotive industry in this country has switched from steam to diesel traction, in association with firms making diesel engines and electrical equipment, with commendable speed in the last few years; it now has its reward in this small reopening of its home market with the prospect of much larger contracts to come.

Argentina's New Exchange

THE accession of General Aramburu to power in Argentina is not expected in London to involve a major shift away from the programme of economic reform begun by General Lonardi. One of the first acts of the new president was to confirm the appointment of the liberal economist Dr Raúl Prebisch as economic adviser to the government. It was Dr Prebisch's masterly report on the economic legacy of a decade of Peronista rule and on remedial measures that led to the devaluation of the peso last month. Further details of the new exchange arrangements that accompanied devaluation are now available. The new official exchange rate of 50.28 pesos to the pound applies to virtually the whole range of Argentina's agricultural exports. After subtracting the payments that exporters will have to make into the reconstruction fund, the effective rates are: 45 pesos to the pound for grains and oilseeds; 42 pesos for meat and most dairy products; 38 pesos for greasy wool and 40 for scoured wool. Under the former multiple rate system all major grains and fresh meat were subjected to the artificial rate of 14 pesos to the pound and wool had an effective rate of 17½ pesos.

The official rate will also apply to a long list of imports that includes fuels (previously 14 pesos to the pound), essential raw materials, paper, certain chemical products, many iron and steel goods, certain types of agricultural machinery, and aircraft spares. Most of these previously came in at 21 pesos to the pound. Another list of goods can be freely imported through the new free exchange market without any prior exchange permit. The list includes certain chemicals, spare parts for bicycles, electrical generating equipment, and spares for motor vehicles and for certain types of machinery (which are subject to a surcharge of no less than 56 pesos to the pound).

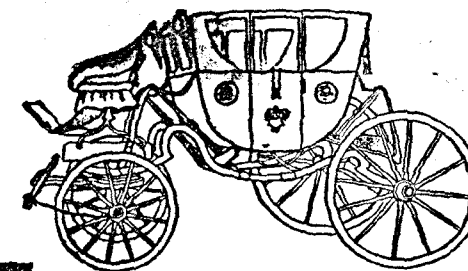
The rate in the free market has fallen slightly in the

last week or so, but is still almost 90 pesos to the pound (against up to 100 pesos in the first weeks of the new market). This rate applies to financial remittances; current remittances may now be transferred through the free market without formality though of the accumulated arrears only those derived from profits or interest earned after June 30th of this year have so far been freed. The present rate in the free market certainly offers British investors little inducement to remit current earnings, but it is hoped that the rate will in due course fall to a more reasonable level. The Argentine authorities at present feel unable to spare any foreign exchange to support the peso in the free market; indeed, Argentina has recently been obliged, for the first time since the war, to draw on the sterling credit of £25 million made available by Britain; some £20 million has been used so far. However, the free market may soon benefit from the repatriation of capital that was deposited abroad in the period of Perón's rule. Provided that the new government continues its policy of economic reform the more realistic exchange rates may help to attract foreign investment as well as to stimulate exports.

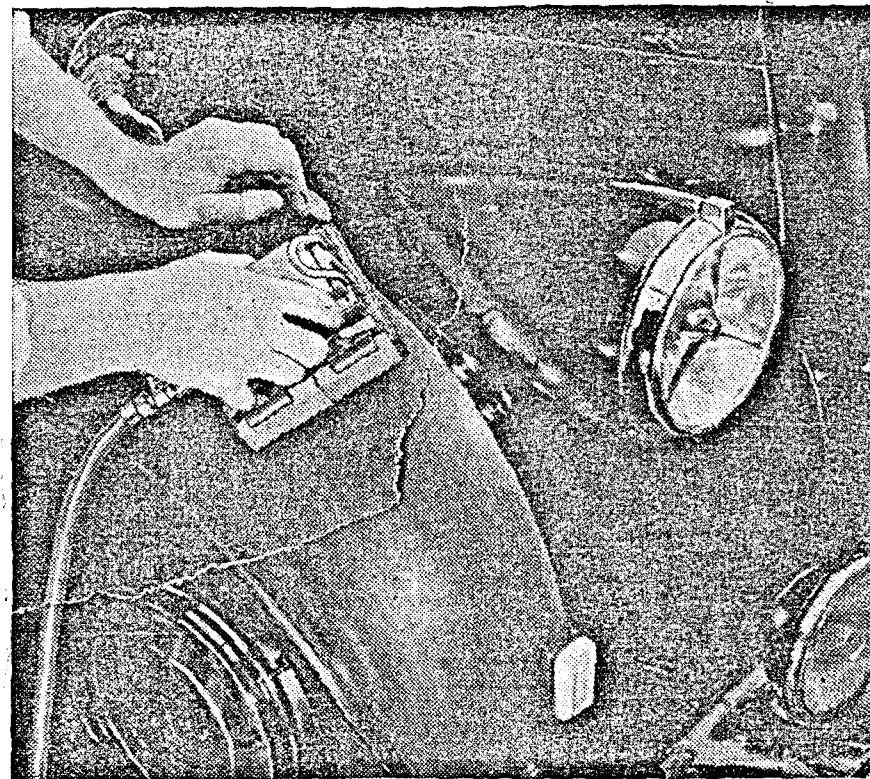
Buna for Britain

It has long been clear that Britain would have to produce a general purpose synthetic rubber on a commercial scale; the only question was when. The Dunlop Rubber Company has been experimenting with synthetic rubber for years, and recently started to construct a small plant for the production of special purpose synthetics. Now, with three other companies, it has announced the formation of the International Synthetic Rubber Company, which will build a plant to produce initially 50,000 tons of general purpose rubber (GR-S) a year, beginning in 1958. That quantity is equivalent to two-fifths of Britain's annual consumption of rubber for tyre covers now. Subject to Treasury consent, it is proposed to raise £7 million, with provision for a further £2 million if required. The initial ordinary share capital will probably be £4 million, and it may be that subscriptions will be in proportion to the subscriber's offtake of synthetic rubber; that should make Dunlop easily the largest participant. The other members of the new company are subsidiaries of foreign tyre and rubber companies—Goodyear, Firestone and Michelin; other tyre manufacturers are being invited to participate. The presence of two American-owned companies suggests that the new company will be able to draw on the manufacturing experience of their parents in the United States.

Two main considerations lie behind the decision to build this plant. One is the technical superiority of synthetic rubber for certain purposes; the other is the strong possibility that the supply of natural rubber will not keep pace with demand. Hence manufacturers that cannot offer tyres with a synthetic content will not be competitive technically; nor will they compete in price in periods when, as now, a shortage of natural rubber has driven the price far above that of GR-S. That disparity, indeed, is the main reason why manufacturers in Britain will import about 50,000 tons of GR-S from North America in 1956, twice as much as their provisional requirements for next year and five times



The English coach used by George Washington during his presidency.



Photograph by courtesy of Lookers Ltd., Manchester.

Accurate and Tough

For no practical purpose—merely to show how accurately it could work—an abrasive-coated belt by CARBORUNDUM was used, on a belt grinding machine, to grind the print off a sheet of newspaper, which was left completely plain. To achieve precision of that order, an abrasive belt must be manufactured with great care. For instance, we control the thickness of our coated abrasives by means of special nucleonic gauges, which use Beta rays to provide an exact and continuous check on the thickness of the backing material, the combined thickness of backing and adhesive, and the overall thickness of the finished product. Again, most coated abrasives by CARBORUNDUM have the abrasive grains applied to them by an electro-coating process in which electro-static attraction is used to lift the grains and arrange them on the backing material in an erect position, so

that their cutting edges are effectively presented to their work.

Coated abrasives by CARBORUNDUM are tough as well as accurate: we make abrasive belts that stand up to such punishing work as the dressing of metal castings, the bevelling of plate glass, and the lapping of tungsten-carbide tools.

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Abrasive and Refractory products by **CARBORUNDUM**

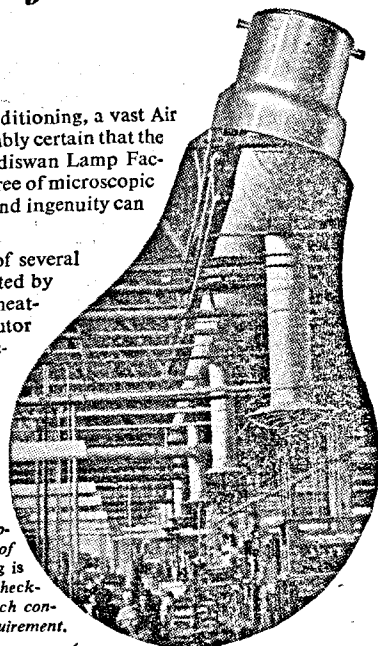
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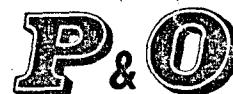
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their imports this year. The price of GR-S produced here may not be much higher than in the United States; support for that view comes from the estimates for a similar plant at Huels in Germany. For a capacity of 45,000 tons a year it is estimated that German costs will be little more than 2s. a lb, which compares with an ex-works price in the United States of 20½d. a lb. The styrene for the British plant will doubtless come from Forth Chemicals, where capacity is being expanded, and the plant itself will presumably be sited close to an oil refinery that will supply butadiene, the chief raw material of the copolymer from which GR-S is made. It is being suggested that the site will be in the Southampton area, near Esso's Fawley refinery.

October Trade

THE full return of British overseas trade in October underlines both the unsatisfactory and the satisfactory features of last month's trading. The rise in the value of exports to the record figure of £267.8 million fob was well spread; the rise in the value of imports was too widely spread for comfort, and the trade deficit with the non-sterling area remained high. Exports were 16½ per cent above the average of the previous six months. That comparison may exaggerate the real improvement because the October total probably includes some shipments delayed by the strikes, but it leaves the buoyancy of British exports in no doubt. Shipments of metals, machinery and "other manufactures" (notably chemicals) were particularly high, compared with the April/September average. Commercial vehicles also did well, but not cars, which remained near the average for the previous six months; that was also true of cotton yarns and fabrics.

Imports, at £333.4 million cif, were 6½ per cent above the April/September average. Proportionately the biggest increase was of 11½ per cent in arrivals of "manufactures," that somewhat misleading category which includes semi-manufactures such as metals as well as machinery and other finished products. Imports of basic materials were little higher than the previous average; a fall—heavy but seasonal—in arrivals of raw wool and edible oils almost offset larger arrivals of softwood, rubber, metal ores and scrap. Among foods, beverages and tobacco the seasonal changes were mainly upwards and the total for this group was nearly 10 per cent above the April/September average. There was no change in prices of imports and exports as a whole, and for the third month in succession the index of the terms of trade stood at 100, the average for 1954.

Total exports (including re-exports) to the non-sterling world amounted to £145 million, nearly 17 per cent above the April/September average. But, as so often before this year, the expansion in imports was fed from that same area, with the result that the deficit with non-sterling countries was £63 million, only £1 million below the average of the previous six months. The trade balance with the sterling area, however, improved from an average deficit of £10½ million in the previous six months to a surplus of £10 million in October.

More Consumption at Home

ALL this year, the retail trade has enjoyed a boom in the sales of household goods and electrical equipment that has at least partially compensated it for the relative quietness of textile and clothing sales. It is now plain from an analysis made by the Treasury that this rising home demand has accounted for almost all the increase in output that has taken place this year in passenger cars and metal consumer goods (which include television and radio sets). Production has gone up by roughly a fifth in the first seven months of this year; last year's increase was of the order of 25 per cent. Exports of these goods over the same period show almost no change—and in some cases, such as washing machines, electric shavers and motor cycles, exports show a sharp drop.

The Treasury analysis points out that the increase in output in these industries has inevitably meant a rise in the demand for steel and non-ferrous metals out of which they are made. Home deliveries of steel are about 10 per cent higher than a year ago and those of virgin aluminium, 40 per cent higher. Going still further back along the production line, imports of steel and steel-making materials were nearly 50 per cent higher than a year ago, and those of non-ferrous metals, 34 per cent higher. Their combined value was £102 million and they accounted for a quarter of the total increase in imports during the first nine months of the year. It is not suspected that all this extra metal went to the consumer industries, but a high proportion certainly did.

The purchase tax increases made in last month's budget were designed to check home consumption of metal goods and thus to make room for greater exports. But few retailers believe that the increases are sharp enough to have this effect. The most that the Chancellor can hope is to mop up some of the surplus spending power. To bring about a significant drop in the home sales of these goods would probably call for drastic revision of hire purchase terms, and in particular, a substantial increase in the size of the initial deposit.

Atomic Agreement with Belgium

THE agreement just signed between the British and Belgian governments to exchange information about atomic materials and reactor design follows closely the pattern of an earlier agreement reached in June between Belgium and the United States. The extensive help that both the uranium customers have undertaken to give is the price asked by Belgium many years ago for pledging its Congo uranium production to the Combined Development Agency, a body set up by Britain, Canada and the United States to buy the ore. Belgium needs atomic power more urgently than any other country in Western Europe; the agreements with Britain and the United States should save much of the heavy cost of developing it and this possibility appears to have been in the mind of the Belgian government all along.

The kind of information to be provided is likely to go further than that which Britain is at present prepared to give

to other countries, although the Atomic Energy Authority has been giving more practical technical assistance to Western Europe than it usually receives credit for. Most of these talks are conducted informally, but the advantage of signing this latest agreement with Belgium is that it puts British manufacturers once again on an equal footing with their American competitors in what is likely to be one of the most important markets. Companies such as Westinghouse are already beginning to put a foot in the door by selling reactors that are plainly too large to be described as research tools—they are rated at 11,500 kW—but too small to be counted as commercial installations. These reactors have a natural fair-ground appeal; an attempt was made to buy one to light the winter Olympic games in Italy, and another has in fact been ordered to light the Brussels World's Fair in 1958. But no one would suggest that they will produce economical power.

The Jobber's Mite

INVESTMENT markets are narrow partly because the public is not minded towards investment, but they are also narrow because there is not enough capital in the jobbing system to provide a decent cushion. The jobbers are, the argument runs, being taxed out of existence. Modern surtax gives them no chance to build up their working capital in step with inflation. They use bank loans instead of their partners' own money, and when bank loans are expensive and hard to get at any price, there is little incentive to keep a respectable book running. In the latest issue of the *Stock Exchange Journal* an unnamed member of the House dissects this problem. He finds that between 1947-48 and now the number of jobbing member firms has shrunk from 237 to 134, though many amalgamations have resulted in bigger and presumably more economic firms.

But there has undoubtedly been a shrinkage of jobbing activity. The article goes on to discuss the possibilities of attracting money, including risk capital from non-members. Such an innovation would naturally need an alteration to the rules of the Stock Exchange. It would need also a great deal of thought; for a plan would have to be worked out in which half a partnership would be subject to the discipline of the Stock Exchange Council and the other would not. But what happens if the non-member does things that would be breaches of the rules for its member partner? For example, it might advertise or deal outside the market without trying the market first. The proposal to bring outside equity capital into the Stock Exchange will not mature for many a long day. But the erosion of jobber's capital is a symptom of a much larger problem.

Stock Exchange members, along with Lloyd's Underwriters, enjoy one tax concession not available to other professional partnerships. Some, but not all, of them find that it pays to turn themselves into corporate members, the corporate member enjoying the right to carry specified sums to reserve; on such transfers, income tax and undistributed profits tax are payable but not surtax. The present Finance Bill extends slightly the parallel concession that Lloyd's Underwriters enjoy. They have the option to carry sums to special reserve paying income tax and profits tax on them but not surtax, and with the right to withdraw those reserves without paying surtax only at death

or in settlement of a trading loss. The maximum reserve, under the scheme that was started by Sir Stafford Cripps in 1949 and extended by Mr Butler in 1952, has now been raised again from £5,000, or 35 per cent of profit (whichever is less), to £7,000, or 50 per cent of profits. But the additional £2,000 is to be subject to a major restraint: surtax accrues when the money is withdrawn even at death. The surtax on it is thus not a conditional gift but a loan.

Railways Seeking Labour

THE Transport Commission may think that its proposal to bring 2,000 Italians to Britain to work as permanent way labourers was a modest one in face of the 6,000 or more extra men now needed in these gangs—about an eighth of their present strength—and the 1,000 Italians whom the Commission imported four years ago. But the National Union of Railwaymen so far appears unconvinced. The shortage of railway labour has become serious: it is particularly acute among staff who operate trains, such as firemen, shunters, engine cleaners, and signalmen, whose rate of turnover has been running at between 10 and 25 per cent a year, with wastage consistently exceeding recruitment. Well over 20,000 vacancies are now listed by four of the six railway regions and an appreciable number of scheduled freight services have had to be cancelled. Scotland and the North Eastern region are less troubled with labour shortages than the regions drawing staff from London, the Midlands, and South Wales.

The railway unions have inevitably countered with the argument that higher wages would attract men needed from other industries. This ignores the labour shortages those industries are themselves facing and the failure of higher wages to raise employment in coal mining and farming, where Italian labour has also been suggested and turned down. The Commission ought to be able to squeeze an agreement over Italian labour in return for accepting part of the wage claims. But no one in the unions can imagine that these can be granted without pushing the railways further into the red; and it will be many years before the modernisation programme brings a noticeable financial return. At present steam locomotives have to spend two-thirds of their lives in depots or workshops; engine drivers spend on an average only about five hours a day on the footplate in traffic; and each wagon is carrying loads on running lines for less than an hour a day.

INDEX

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The Publisher, 22 Ryder St., St. James's, London, S.W.1.

AEI in India

THE appointment of Associated Electrical Industries as consultant to the Indian Government in establishing a heavy electrical manufacturing industry there is a success for the company, which encountered German and American competition. It may offer the British electrical equipment industry as a whole opportunities in accommodating itself to the Indian desire for self-sufficiency. Whether or not heavy electrical manufacture in India can justify itself on comparative costs, India is going to have it. It is an industry in which labour costs form a very significant proportion of total costs, so that India may look hopefully towards the successful engineering industry built, for example, by Japan. But it is also an industry that will demand for some time a considerable amount of foreign technical advice, training and capital equipment.

The appointment is for a period of 15 years, during which time India hopes to build up an industry capable of producing generators, transformers, switchgear and turbines. The company will act as consultants in the design, layout and construction of one or more factories, on procurement of equipment, and on training of recruits to the industry. The Indian Government intends the new industry to employ about 10,000 people, and the capital investment may reach £20 million; it will not, incidentally, produce light electrical equipment in competition with AEI's existing subsidiary in India. AEI hopes to submit a detailed report on the new project to the Government in about a year; it is expected to take about seven years to build the factory and bring it up to full production.

A Bristol-Convair Airliner?

THE prospect that the Bristol Aeroplane Company in England and the US General Dynamics Corporation in America may become partners in the design and development of the airliner to replace the Britannia in the early sixties is likely to have sharp repercussions on the aircraft industries in both countries. The risks and sheer technical difficulties of designing a modern civil transport and its engines have assumed such dimensions that the number of projects under development at any one time gets steadily smaller. General Dynamics has massive technical resources, but has been inexplicably slow in putting forward any successor to its existing piston-engined transports, the Convair 340 and 440. It is now the only major American constructor without either a jet or a turbo-prop airliner to offer its customers.

The Bristol Aeroplane Company has one very large engine under development, the turbo-prop BE 25 which is potentially capable of 8,000 shaft horse-power, and the company has done a fair amount of preliminary work on the type of airliner which should succeed the Britannia. But Bristol's resources are limited, especially in technical manpower in spite of its investment in Short Brothers in Belfast. Bristol has already had dealings with General Dynamics' Canadair division, which is building a piston-engined, marine reconnaissance version of the Britannia; it is now sending a technical team of engineers to Convair's plant in San Diego, to see whether a common project for a long-range, 120-seat airliner can be worked out with General Dynamics. There is some urgency in the dis-

London's Growing Trade

LONDON is Britain's largest port. It has been dominant in the country's import trade for a generation and its share of total trade has been growing. Changes in the pattern of trade on the whole favour London. The bulk export trade in cotton piece goods that used to go out largely from Liverpool and Manchester has shrunk to a shadow of its former size. The coal export trade that once provided great tonnage outwards

from the North-East Coast and from South Wales is no more, and the coal import trade, much of which comes into London, has taken its place. Industry has drifted southward and brought trade to the Port of London.

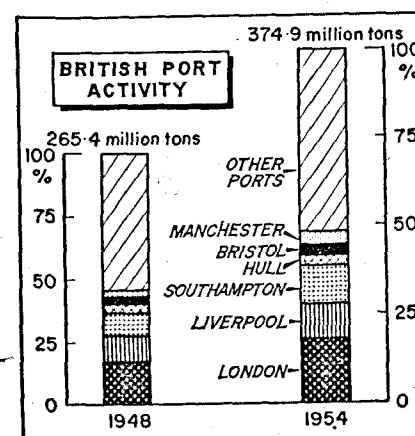
The chart shows the net register tonnage of vessels, excluding naval ships, that entered and left British ports in 1948 and 1954, compared with the movements for the other principal ports. There is an important element of double counting in the figures, since a vessel that calls at several British ports is reckoned at each.

London is still predominantly an importing port. The table shows for the years ended March 31, 1939, 1954 and 1955, the Port of London Authority's accounting years—the breakdown by tonnage of the goods—not the ships—that came into, went out from or were transhipped through London. In total the latest year's figure was a record, despite the fact that a strike in October last year brought the port's trade almost to a standstill for a month. Unfortunately, it was coal imports from overseas that accounted largely for this

increase, these imports also were offset in part by a decline in coastwise coal shipments to London from the North-East coast. Exports to foreign destinations through London also declined.

LONDON'S GROWING TRADE
The Port's Traffic
(Million tons)

	Years ended 31st March,		
	1939	1954	1955
Imports:			
Foreign	16.7	18.4	20.2
Coastwise	15.7	20.5	19.4
Transshipments...	1.7	1.8	1.7
	34.1	40.7	41.3
Exports:			
Foreign	3.5	5.9	5.8
Coastwise	2.4	3.0	3.4
Transshipments...	1.7	1.8	1.7
	7.6	10.7	10.9
Total	41.7	51.4	52.1



cussions, for Lockheed, Douglas, Boeing and Vickers-Armstrongs are all booking orders for competing transports for delivery in roughly the same period. If the engineers work out a joint design that interests the airline operators, then the two companies will have to decide how the aircraft is to be financed and where it is to be built. The Ministry of Supply, for example, has provided a substantial portion of the funds out of which both the Britannia and the BE 25 engines have been developed, and its role in this proposed new partnership will need clarification.

World Bank Borrows Cheaply

THE International Bank has a good nose for smelling out the cheapest centre in which to borrow. It has this week made an issue of 50 million Swiss francs at 3½ per cent and offered publicly at par by a syndicate of leading Swiss banks. Such terms could not be matched today by any other international capital market. The issue is to be repaid in instalments between 1965 and 1974. It is the thirteenth bond issue offered publicly by the bank for currencies other than United States dollars.

The money raised is not needed for any specific Swiss franc requirement, but for the general purposes of the bank, which the fully convertible Swiss currency can satisfy, and the bank's general requirements are mounting with the rising tempo of its operations. In the third quarter of this year it made twelve loans totalling \$111,600,000 in nine countries. Disbursements on loans in that quarter amounted to \$88,200,000. The main projects now under consideration are participation in the Nile high dam plan, the Indian second five-year plan and the Italian Vanoni plan. Each of them bids fair to strain the bank's lending and advisory services more severely than any of its previous ventures, and will probably call for further reinforcement of the bank's lendable resources. In addition the World Bank will find half the sum of \$50 million that South Africa proposes to borrow for railway development; the other \$28 million is to be raised on New York market.

Competition in Sterling Markets

THE essence of the Board of Trade's summary of sterling area trade in the first half of this year has already been revealed, in modified form, in the White Paper on the

UNITED KINGDOM AND REST OF STERLING AREA TRADE
(£ million)

	Imports by Area					Exports by Area				
	TOTAL	RSA	Dollar	OEEC	Other	TOTAL	Sterling	Dollar	OEEC	Other
United Kingdom										
1954 1st half (a)	1,674	798	272	393	210	1,400	679	187	391	143
2nd half	1,706	703	348	425	230	1,376	668	188	385	134
1955 1st half (b)	1,904	815	395	451	241	1,450	699	188	405	157
% change (b) compared with (a)	+13.7	+2.1	+45.2	+14.8	+14.8	+3.6	+2.9	+0.5	+3.6	+9.8
Rest of Sterling Area										
1954 1st half (a)	1,814	666	347	227	298	1,711	637	319	208	243
2nd half	1,955	663	411	245	318	1,688	618	361	197	207
1955 1st half (b)	2,104	742	409	278	332	1,836	649	362	237	245
% change (b) compared with (a)	+16.1	+11.4	+17.9	+22.5	+11.4	+7.3	+1.9	+13.5	+13.9	+0.8

THE ECONOMIST, NOVEMBER 26, 1955

British balance of payments. But some points of interest remain. One is the remarkable extent to which the sharp increase in the sterling area's imports benefited the non-sterling countries rather than Britain and the rest of the sterling area. The tables tell the story.

Why did Britain lose ground in sterling markets? A more liberal import policy towards goods from the dollar area and Japan (particularly Japanese textiles) certainly contributed, but that cannot be the whole explanation. In the first quarter of this year exports of manufactures from the OEEC countries to the rest of the sterling area amounted to £118 million, an increase of 14 per cent compared with the quarterly average for the first half of last year; exports of manufactures from the dollar area in the first quarter were 32 per cent higher at £82 million. The absolute figures are still small compared with British exports, but they leave no doubt that other countries are making headway in Britain's established preserves.

Hope for Peruvian Corporation

PERUVIAN CORPORATION has a chequered history. Never since it was formed in 1890 has it paid an ordinary dividend; not since 1930 has it paid a preference dividend. The debenture interest, despite recent fairly regular payments, remains six years in arrear; the moratorium expires this year, and the court has made it clear that it will not again be renewed. The choice lies between action now and the receiver that the debenture-holders would surely appoint when the moratorium came to an end. The scheme that S. G. Warburg and Co. announces this week will be judged against that background and against the fact that, with all its miserable history, Peruvian Corporation is still an important British asset owning the whole railway system of Peru, the steamers on Lake Titikaka and a feeder line in Bolivia.

The scheme—ingenious and even daring—is based on three moves. First, the corporation will transfer to Canada, and Treasury consent has been granted. Secondly, its capital is to be exchanged, after writing down, for securities of a new company called Peruvian Transport Corporation, a foreign business resident in Canada which will thus escape Canadian income-tax as well as British tax. Thirdly, the Corporation is to place for cash at par \$4 million "A"

THE ECONOMIST, NOVEMBER 26, 1955

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On the job—where the profits are—it's more impressive still!

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An hour's demonstration proves this up to the hilt.

It's highly probable there's a job on your contracts or in your business that the International Drott could do better, faster and more economically. You should most certainly get in touch with your International Industrial Dealer and fix a time and place to put the Drott through its paces *yourself*, on *your* kind of work.

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3 cu. yds. (Light Duty)	
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Bucket Roll-back.....	42°
Lifting Capacity.....	6,000 lbs
Loading height (bucket dumped).....	9 ft
Forward reach.....	62 ins

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Progress in view

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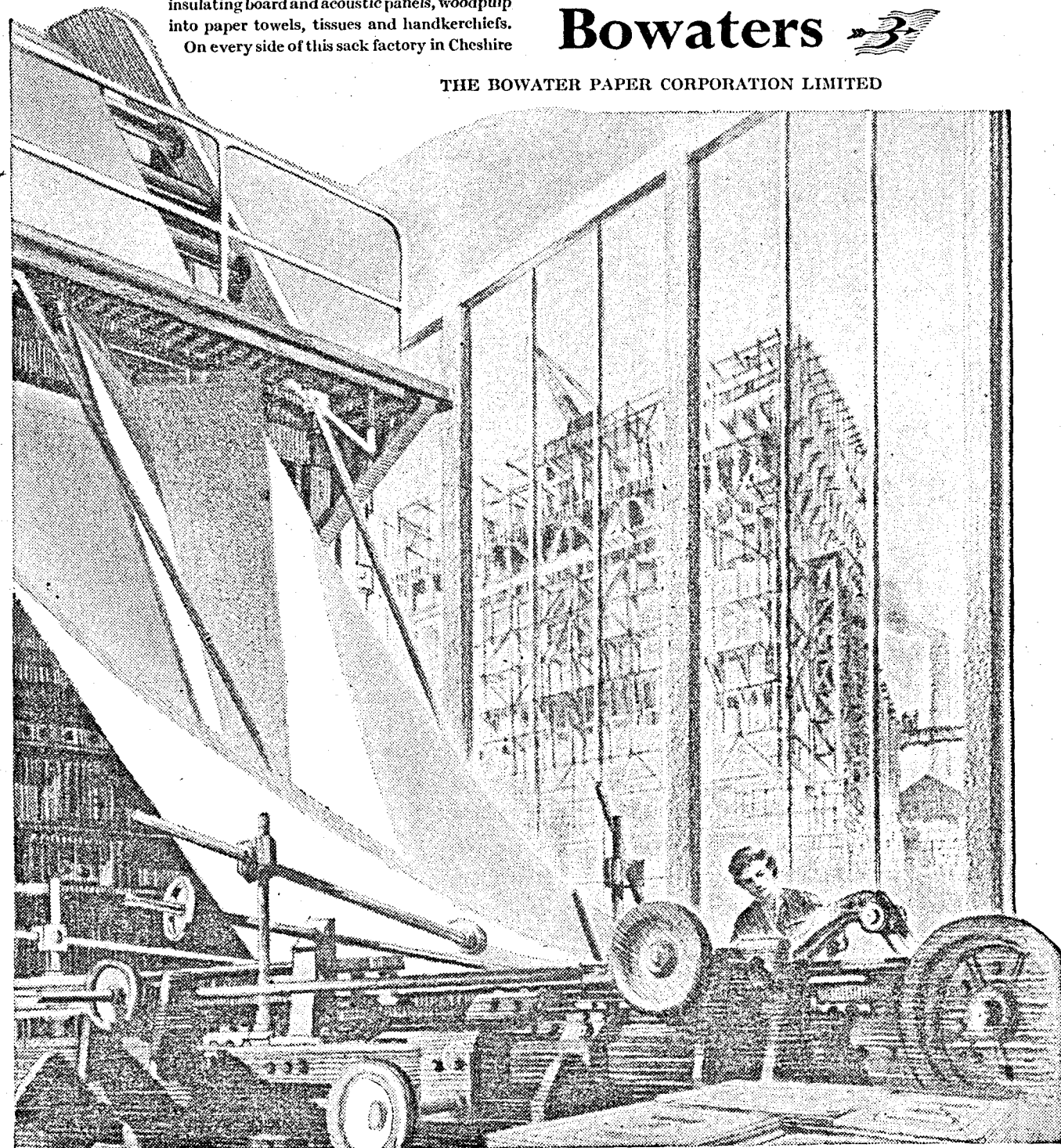
As well as sacks, Bowater factories convert paper into many kinds of corrugated containers, fibre drums, protective packaging papers and paper bags; turn timber into hardboard, insulating board and acoustic panels, woodpulp into paper towels, tissues and handkerchiefs. On every side of this sack factory in Cheshire

the Bowater policy of diversification can be seen in action. Here, the ground is being surveyed for a new board mill. There, the foundations of another container factory are being laid. And nearby, new pulping equipment will soon come into operation to feed the mills' great paper machines.

Here, and elsewhere throughout the Organisation, the pattern of progress has been set. The work is going on.

Bowaters

THE BOWATER PAPER CORPORATION LIMITED



Great Britain United States of America Canada Australia South Africa Republic of Ireland Norway Sweden

share capital in New York. This is how each class of capital fares under the scheme:

The 6 per cent debenture bonds receive per £100:\$100 (US) 6 per cent debenture stock, plus \$70 5 per cent convertible debenture stock convertible into "B" shares at par, and £40 cash—a total worth with good luck £100—so that holders sacrifice 36 per cent of arrears and interest on them.

The 5 per cent non-cumulative preference shareholders will receive 34 "B" shares of \$1 (US) for each £100 stock with a maximum value of perhaps £12.

Ordinary shareholders 13 "B" shares for each £100 stock, which might be worth just over £4 10s.

The "A" and the "B" shares of the new company rank equally for dividends and votes, the "A" having priority for capital.

Announcement of the scheme produced an immediate rise in all classes of the company's capital. The debenture stock jumped 1½ points to 88 on Wednesday, for the scheme, thanks partly to the elimination of British taxation and partly to the saving in interest and sinking fund, leaves the company earning (and if earning why not paying?) a surplus after the reconstruction and change of residence. An average deficit over the past five years on the present

capitalisation of £109,000 is transformed into an average surplus of £244,000, and that is equal to earnings of 8.85 per cent on the new share capital.

SHORTER NOTE

The Chartered Bank of India, Australasia and China has set up a development corporation to finance projects in south and south-east Asia. The new institution, named the CBI Development Corporation, is a wholly owned subsidiary of the Chartered Bank; its authorised capital is £2 million, of which £500,000 has been paid up. The chairman is Mr V. A. Grantham, chairman of the Chartered Bank, and the directors also are drawn from the board of the bank. The corporation is expected to provide funds mainly in the form of medium term loans. It will work in conjunction with the national development corporations that have been set up in a number of Asian countries, including the Industrial Credit and Investment Corporation, in which the Chartered Bank has an interest.

Company Notes

BRITISH MOTOR CORPORATION. Costs have put a brake on the profits of British Motor Corporation, as they have with almost every other vehicle manufacturer this year. In the year to July 31st the number of vehicles made by the Corporation was 418,705 (compared with 353,834 in 1953-54), showing an increase of about 18 per cent. But trading profits before all charges rose by only 13 per cent, from £21,061,844 to £23,796,806. Output was running at about 10,100 vehicles a week

stages, "it is obvious that if production does not rise and costs of supplies do increase we shall have to raise our prices."

Behind the increase in output lies an immense capital programme. In the latest trading year the corporation spent £5,780,000 on capital account and at the end of June its outstanding capital contracts came to £6,565,000. But, thanks in part to the rights issue and in part to heavy reserve appropriations, the corporation has a handsome balance of liquid resources, totalling in all over £33 million.

The question is whether the corporation can sell all the vehicles it plans to produce. Sir Leonard's answer is:

"... whilst I have little doubt that we shall be able to sell our output, including a proper proportion of it abroad, it would be unreasonable to expect profits in the current year to be higher than those disclosed for the year under review; in fact, despite increased turnover they could conceivably be somewhat lower."

The nominal rate of ordinary dividend has been maintained at 12½ per cent, but in effect that represents an increase, for the new shares just issued as a one for eight free distribution rank for the final payment of 8½ per cent. Dividends from the motor companies this autumn did not change much, and, judging by Sir Leonard's remarks, they may again show little change next autumn.

JOSEPH LUCAS (INDUSTRIES). It is the practice of Joseph Lucas (Industries) to show a "consolidated surplus" after making a series of deductions for depreciation, tax and reserve appropriations. Stockholders would be advised to make their own

calculations from the profit and loss account. If they do they will find that, on a conservative reckoning, the gross trading surplus before all charges has risen from about £9.3 million to over £9.9 million and that the net profit after tax has gone up from about £2.6 million to nearly £3.6 million. Thus the maintained ordinary dividend, which after tax takes about £540,000, is most amply covered. The charitable view of accounts whose first entry shows an actual decline in the "consolidated surplus" is that the directors have tried to set out the figures on a comparable basis. The uncharitable view is that such a reckoning provides the directors with another buttress for their decision not to raise the dividend. In justifying this policy they use the phrase "in view of the results." They have considered all the factors bearing on the company's affairs and those concerning the motor industry and as if to emphasise that nothing that supports a conservative policy has been forgotten, they add that "the influence of immediate national circumstances has not been overlooked."

If stockholders make another calculation from the breakdown of the group's total income they will find that turnover has gone up from about £72 million to over £85 million. This was to be expected from a year in which the group's chief customer, the motor industry, was breaking all records. Trading profits have not risen as steeply, as sales for the group has had to meet much higher costs (notably in the price of the raw materials it uses). The chairman, Mr A. B. Waring, says that if the volume of output were to fall "there would be the utmost difficulty in keeping prices at anything like their present level." He adds that the company's "best interests will not be served by large profit margins but by a regularly expanding market." These are necessary warnings, for the company enjoys a commanding position over much of its field.

	Years to July 31,	
	1954	1955
Consolidated earnings:—		
Trading profit.....	21,061,844	23,796,806
Investment income.....	107,659	141,268
Non recurring credits.....	118,270	408,354
Depreciation.....	2,613,169	2,731,992
Taxation.....	10,782,104	9,771,072
Net profit.....	7,145,556	10,479,722
Ordinary dividends.....	1,768,873	2,207,111
Ordinary dividend (per cent).....	12½	12½
Retained by subsidiaries.....	5,235,294	8,380,825
Retained by parent co.....	5,528	186,538
Consolidated balance sheet:—		
Net fixed assets.....	20,197,100	23,089,084
Net current assets.....	35,812,908	45,209,226
Stocks and tools.....	31,020,265	38,004,863
Liquid assets.....	28,899,715	33,275,130
Reserves.....	11,921,431	22,033,360
Ordinary capital.....	25,729,057	28,301,963

towards the end of the trading year and the directors hope to raise that figure to about 12,500 vehicles by the middle of next summer.

In making the decision to leave selling prices unchanged in spite of rising costs the directors, Sir Leonard Lord points out, had in mind "the possible savings from the increased production which is planned from the factories between now and the summer of next year." But he adds that while the Corporation is to forgo some of its profit in the early

MONTAGUE BURTON. This multiple tailor changed its accounting date from March 31st to August 31st because the end of March is a period of peak stocks in front of the Spring sales. Hence no direct comparison of profits can be made from the preliminary statement for the 17 months to August 31st last. The statement shows that in those 17 months the group, after charging tax of £970,000, earned a net profit of £1,299,678. That profit is entered after crediting £241,409 transferred from provisions for losses on forward commitments. In the year to March 31, 1954, the net profit was £633,515 but that sum also included a special credit of £271,546. Roughly if the latest figures are put on an annual basis and the special credits ignored, profits before tax have gone up from about £700,000 per annum to £1,400,000 and earnings after tax from £250,000 to £750,000. Both sets of figures include the earnings of the subsidiary, Jackson The Tailor. Evidently the group has moved further along the road of recovery.

That progress was indicated by the payment of two interim dividends this year of 5 per cent each, compared with a total dividend of 5 per cent for the year to March 31, 1954, the year in which Montague Burton came back after a year's absence to the list of dividend payers. The two interims have been followed by a final payment of 10 per cent, making 20 per cent in all for the 17 months. This is equivalent to an annual rate of 14.1 per cent. On that dividend the 10s. ordinary shares, at the current price of 33s. 6d., offer a yield of about 4½—a yield that suggests that investors hope for still more progress.

ELECTRIC AND MUSICAL INDUSTRIES. Not the least of the achievements of the new management of Electric and Musical Industries is to present fully consolidated accounts. These show that an increase of 22 per cent in the value of sales to about £40 million lay behind the advance in profits (discussed in these columns on October 29th) and the increase in the

ordinary dividend from 10 to 15 per cent. The turnover figure excludes the sales of the newly acquired American subsidiary, Capitol Records, but profits do include the earnings of that company between March 15th and June 30th.

The acquisition makes its mark in the consolidated balance sheet where the net value of fixed assets is up from £4,758,000 to £5,781,000 and where a new entry of £1,206,000 appears against intangible assets, representing "the excess of the cost of shares of Capitol Records over the value of its net assets at the date of acquisition." The inclusion of the Capitol company's assets must also partly be responsible for the increase in stocks (from £10,307,000 to £12,951,000) and in debtors (from £6,543,000 to £8,789,000),

	Years to June 30, 1954	1955
Consolidated earnings:—		
Trading profit.....	2,059,000	3,065,000
Non-recurring profits.....	15,000	105,000
Depreciation.....	646,000	756,000
Taxation.....	507,000	1,105,000
Net profit.....	546,000	832,000
Ordinary dividends.....	208,000	326,000
Ordinary dividends (per cent).....	10	15
Retained profits.....	327,000	467,000
Consolidated balance sheet:—		
Net fixed assets.....	4,758,000	5,781,000
Net current assets.....	8,048,000	9,633,000
Stocks.....	10,307,000	12,951,000
Cash.....	663,000	1,224,000
Bank overdrafts.....	1,545,000	2,141,000
Reserves.....	6,046,000	6,365,000
Ordinary capital.....	3,774,000	3,774,000
10s. ordinary stock at 25s. yields £6. per cent		

though turnover has clearly been expanding through the whole group. The rise in working capital commitments has been partly balanced by the growth in "sundry creditors" from £6,952,000 to £9,549,000 but the group is not strong in liquid resources. Although the cash balance has risen from £663,000 to £1,224,000 bank overdrafts are up from £1,545,000 to £2,141,000 and "fixed loans" from £353,000 to £600,000. That kind of balance sheet with capital commitments high at £999,000, against £162,000, and liquid resources meagre might be expected after the acquisition of an important subsidiary. But the growth in capital commitments does show—as the latest results and the Capitol Records purchase show—that the new management has a mind for expansion.

LONDON STOCK EXCHANGE

Next Account begins: November 30th
Next Contango Day: November 30th
Next Settlement Day: December 6th

THE market remained quiet throughout the week and prices fluctuated within narrow limits, no clear trend emerging. On Wednesday gilt-edged securities were firm while industrial stocks were easier. The new 4½ per cent Northern Ireland Electricity stock 1967/68 declined to ½ discount after dealings had started at par on Tuesday. Bank shares lost more ground, Midland £1 paid touching 71s. 3d. before recovering to 72s. 6d. An exception was a 5s. 6d. rise to 35s. in the Australia and New Zealand Bank shares, £1 paid, following an increase in the dividend. The fully paid "B" stock advanced to 38s. Mercantile Credit rose to 5½, also on an increase in the dividend.

Bass at 125s. and Guinness at 43s. 6d. were outstanding among brewery shares and GUS "A" improved to 39s. 9d. xc. among the stores. Decca rose to 40s. after the announcement that the company had secured a contract from the BEA for its Navigator. ICI declined 1s. 7½d. to 46s. 1½d. Bowater advanced to 104s. 4½d. and Turner & Newall to 102s. 6d. but Unilever lost 1s. 3d. to 89s. 6d. Steel shares were bought on Wednesday and prices moved higher; Stewarts & Lloyds rose to 72s. and John Summers gained 1s. 3d. to 42s.

Although demand for British Petroleum was at first hesitant due to the Middle East troubles it revived later. Shell also attracted buying in anticipation of the interim dividend. British Petroleum rose to 112s. 6d., Shell touched 7 and Royal Dutch gained 3½ to 62½. Kaffirs had a good day last Friday but buying faded and shares were marked down sharply on Wednesday. Anglo American lost ½ to 8½. No great adjustments followed the release of the reports for the Anglo American copper group. Bancroft lost 1s. 1½d. to 39s. but Rhodesian Anglo American gained ½ to 5½. High prices for lead and zinc brought sizeable gains in Australian producers on Wednesday. New Broken Hill rose 2s. 3d. to 43s. xd. and Consolidated Zinc 1s. 3d. to 54s. xd.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½ Cons.	Ord.
Nov. 16...	189.4	100.45	4.35	5.27
" 17...	190.7	100.57	4.32	5.24
" 18...	190.4	100.48	4.33	5.24
" 21...	190.8	100.34	4.34	5.24
" 22...	190.2	100.33	4.34	5.25
" 23...	189.9	100.37	4.34	5.26
1955, High.	223.9	115.97	Total bargains	
(July 21)	(Jan. 7)		Nov. 16	9,170
" Low.	175.7	98.23	" 17	8,430
(Mar. 15)	(Sept. 2)		" 18	8,611
1954, High.	184.0	118.10	" 21	10,212
(Dec. 31)	(Nov. 18)		" 22	9,338
" Low.	131.1	111.78	" 23	8,580
(Jan. 1)	(Jan. 5)			

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 an. 1 to Nov. 23		BRITISH FUNDS AND GUARANTEED STOCKS	Price, Nov. 16, 1955	Price, Nov. 23, 1955	Net Yield, Nov. 23, 1955 %	Gross Yield, Nov. 23, 1955 %	Prices, 1955 Jan. 1 to Nov. 23		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Nov. 16, 1955	Price, Nov. 23, 1955	Yield, Nov. 23, 1955 %
High	Low						High	Low					
100 1/2	96 1/2	Funding 2 1/2 '52-57	97 1/2	97 1/2	3 4 5	4 7 4 1/2	46/6	34/8 1/2	10 1/2 b	6 b B.S.A. £1	36/-*	36/6	5 9 7
100 1/2	97 1/2	War Bonds 2 1/2 '54-56	98 1/2	98 1/2	3 0 8	4 10 5 1/2	13/10 1/2	10/-	10 1/2 b	3 1/2 Cammell Laird 5/-	12/9	13/-	5 7 8
100 1/2	93 1/2	War Loan 3 1/2 '55-59	94 1/2	94 1/2	3 2 11	4 10 0 1/2	39/3	27/-	...	3 a Colvilles £1	34/-	35/3	5 2 20
99 1/2	99 1/2	Conversion 4 1/2 '57-58	99 1/2	99 1/2	2 11 7	4 4 11 1/2	36/7 1/2	23/-	...	8 c Dorman Long £1	31/6	32/3	4 19 3
100 1/2	96 1/2	Serial Funding 2 1/2 1957	96 1/2	96 1/2	3 6 3	4 6 2	54/-	31/2 1/2	20 c	3 1/2 Guest Keen N'fold £1	47/6*	48/1 1/2	5 3 3 1/2
99 1/2	91 1/2	Conv. 2% 1958-59	92 1/2	92 1/2	3 10 8	4 10 7 1/2	79/9	42/-	12 1/2 c	5 a Stewarts & Lloyds £1	70/-	71/3	3 10 3
97 1/2	89 1/2	Exchequer 2% 1960	90 1/2	90 1/2	3 10 2	4 9 5	47/-	27/6	6 1/2 b	4 a Summers (John) £1	39/9	41/9	4 15 10 1/2
104 1/2	92 1/2	Exchequer 3 1/2 1960	94 1/2	94 1/2	2 18 5	4 6 2	50/-	28/6	6 b	4 a United Steel £1	44/-	45/6	4 7 11
100 1/2	83 1/2	Savings Bonds 3% '55-65	88 1/2	88 1/2	3 4 9	4 13 3 1/2	47/10 1/2	34/-	6 b	2 1/2 a Vickers £1	40/6	40/6	4 3 11
100 1/2	86 1/2	Funding 2 1/2 '56-61	90 1/2	90 1/2	3 10 6	4 13 7 1/2				TEXTILES			
97 1/2	78 1/2	Funding 3 1/2 '59-69	82 1/2	83 1/2	3 6 0	4 14 9 1/2	30/4 1/2	19/6	6 b	4 a Bradford Dyers £1	23/-	24/-	8 6 8
103 1/2	89 1/2	Funding 4 1/2 '60-90	90 1/2	91 1/2	4 11 5	6 8 0 1/2	35/-	23/9	3 a	7 b Brit. Celanese £1	25/-	24/-	8 6 8
96 1/2	77 1/2	Savings Bonds 3% '60-70	82 1/2	82 1/2	3 6 0	4 15 4 1/2	29/6	23/-	6 1/2 b	2 1/2 a Coats (J. & P.) £1	24/-	23/6	7 8 11
102 1/2	87 1/2	Exchequer 3% '62-63	91 1/2*	91 1/2*	3 1 1	4 7 9 1/2	55/3	35/-	6 b	4 a Courtaulds £1	41/-	40/-	5 0 0
99 1/2	82 1/2	Exchequer 2 1/2 '63-64	86 1/2	86 1/2	3 7 2	4 10 5 1/2	34/1 1/2	24/6	7 1/2 b	5 a Lanes, Cotton £1	26/-	26/-	9 12 4
95 1/2	77 1/2	Savings Bonds 2 1/2 '64-67	80 1/2	80 1/2	3 9 10	4 14 0 1/2	36/0 1/2	28/-	2 1/2 a	10 b Patons & Baldwins £1	30/-	30/-	8 6 8
95 1/2	75 1/2	Savings Bonds 3% '65-75	79 1/2	79 1/2	2 16 4	4 12 6 1/2	22/11 1/2	17/4 1/2	6 1/2 b	3 1/2 a Bristol Aeroplane 10/-	21/-	20/9	4 16 5
105 1/2	91 1/2	Victory 4% '20-76	95 1/2	95 1/2	2 16 4	4 12 6 1/2	15/9 1/2	9/4 1/2	4 a	8 b British Motor 5/-	9/9*	9/9*	6 8 3
98 1/2	78 1/2	Funding 3 1/2 '66-68	84 1/2	84 1/2	3 5 4	4 14 6 1/2	21/3	21/3	7 1/2 c	Nil c De Havilland £1	23/6	22/3	Nil
103 1/2	83 1/2	Conv. 3 1/2 1969	88 1/2	88 1/2	3 1 11	4 14 8	27/10 1/2	37/-	15 c	2 1/2 a Ford Motor £1	47/6	47/6	3 3 20
98 1/2	80 1/2	Treas. 3 1/2 '77-80	83 1/2*	83 1/2*	2 18 10	4 12 0 1/2	70/9	43/1 1/2	7 1/2 b	5 a Hawker Siddeley £1	53/9	54/3	4 12 3
99 1/2	80 1/2	Treas. 3 1/2 '79-81	84 1/2	84 1/2	2 18 2	4 12 0 1/2	52/9	33/6	25 c	30 c Leyland Motors £1	43/9	43/9	4 11 5 1/2
88 1/2	68 1/2	Redemption 3% '86-96	73 1/2	73 1/2	2 17 0	4 9 0 1/2	133/1 1/2	71/3	12 1/2 b	5 a Rolls Royce £1	107/6	110/-	3 3 8
95 1/2	78 1/2	Funding 3 1/2 1999-2004	82 1/2	82 1/2	2 13 6	4 8 8 1/2	12/3 1/2	6/10 1/2	12 c	12 c Standard Motor 5/-	9/-	9/-	6 13 4
97 1/2	82 1/2	Consols 4% aft. Feb. '57	86 1/2	86 1/2	2 13 4	4 13 4 1/2				SHOPS & STORES			
88 1/2	73 1/2	War L'n 3 1/2 aft. Dec. '52	76 1/2*	76 1/2*	2 12 4	4 10 11 1/2	21/7 1/2	12/6	17 1/2 b	3 a Boots Pure Drug 5/-	17/3	17/3	3 19 9 1/2
89 1/2	72 1/2	Conv. 3 1/2 aft. April '61	76 1/2*	77 1/2	2 12 6	4 10 5 1/2	47/6	35/6	7 1/2 a	20 b Debenhams 10/-	37/6	36/-	7 12 9
78 1/2	63 1/2	Treas. 3% aft. April '66	66 1/2	66 1/2	2 11 10	4 10 11 1/2	56/9	35/10 1/2	15 a	45 b Gt. Universal 5/-	39/-	41/-	7 6 4
66 1/2	54 1/2	Consols 2 1/2	57 1/2	57 1/2	2 10 1	4 7 4 1/2	114/-	92/-	17 1/2 b	5 a Lyons (J.) 'A' £1	97/6	97/6	4 12 4
66 1/2	54 1/2	Treas. 2% aft. April '75	57 1/2	57 1/2	2 10 9	4 8 6 1/2			36 1/2 b	17 1/2 a Marks & Spen. 'A' 5/-	67/-*	66/-*	3 12 0
99 1/2	97 1/2	Br. Elec. 4 1/2 '67-69	98 1/2	98 1/2	2 14 2	4 13 4 1/2	71/9	55/-		20 a Woolworth 5/-	59/3	58/9	4 5 2 1/2
94 1/2	75 1/2	Br. Elec. 3% '68-73	80 1/2	80 1/2	3 4 0	4 13 4 1/2				OIL			
93 1/2	75 1/2	Br. Elec. 3% '74-77	79 1/2	79 1/2	3 1 8	4 11 7 1/2			14 b	5 1/2 a British Petroleum £1	110/7 1/2	111/3	2 13 11 1/2
109 1/2	90 1/2	Br. Elec. 4 1/2 '74-79	94 1/2	95 1/2	2 14 11	4 12 9 1/2	139/-	68/6	7 1/2 a	13 1/2 b Burmah £1	73/1 1/2	73/1 1/2	2 17 5 1/2
98 1/2	80 1/2	Br. Elec. 3 1/2 '76-79	83 1/2	83 1/2	2 19 2	4 12 7 1/2	93/5 1/2	50/-	6 a	10 b Royal Dutch 100 f.	459 1/2	462 1/2	2 8 2
105 1/2	88 1/2	Br. Gas 4% '69-72	92 1/2	92 1/2	2 17 10	4 14 6 1/2	164	109/9	5 1/2 a	10 1/2 Shell Reg. £1	133/1 1/2	140/-	3 14 7
102 1/2	82 1/2	Br. Gas 3 1/2 '69-71	86 1/2	87 1/2	3 1 3	4 14 2 1/2	158/9	26/9	5 1/2 a	16 1/2 b Trinidad L'holds 5/-	40/6*	40/9*	4 12 6
88 1/2	71 1/2	Br. Gas 3% '90-95	73 1/2	74 1/2	2 16 7	4 8 2 1/2	44/6			SHIPPING			
94 1/2	76 1/2	Br. Trans. 3% '68-73	80 1/2	80 1/2	3 4 0	4 13 4 1/2	37/3	25/6	7 b	2 1/2 a Cunard £1	26/-	26/-	7 10 0
105 1/2	87 1/2	Br. Trans. 4 1/2 '72-77	90 1/2*	90 1/2*	2 17 2	4 13 1 1/2	61/-	45/-	12 c	14 c Furness Withy £1	48/6	49/6	5 13 2
88 1/2	70 1/2	Br. Trans. 3% '78-88	75 1/2	75 1/2	2 18 10	4 10 6 1/2	38/6	27/6	13 b	3 a P. & O. Def. £1	33/6	33/6	4 15 6 1/2

(e) To earliest date. (f) Flat yield. (g) To latest date. * Ex dividend.
Assumed average life approx. 12 years. † Less tax at 8s. 6d. in £.

Prices, 1954		Prices, 1955 Jan. 1 to Nov. 23		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Nov. 16, 1955	Price, Nov. 23, 1955	Yield, Nov. 23, 1955 %
High	Low	High	Low					
97 ½	90 ½	94 ½	79	Aust. 3½ '65-69	82 ½	82 ½	5 6 6 ½	33/4 ½
101 ½	97 ½	101 ½	87	Ceylon 4½ '73-75	89 ½	89 ½	4 16 11 ½	87/3
106 ½	98 ½	103 ½	87 ½	N. Zealand 4½ '76-78	88 ½	88 ½	4 16 11 ½	81/-
79 ½	71 ½	75 ½	61	L.C.C. 3½ aft. 1920	62 ½	62 ½	4 16 9 ½	51/3
99 ½	95 ½	99 ½	83	Liverpool 3½ '54-64	85 ½	85 ½	5 2 7 ½	65/10 ½
87 ½	80 ½	84 ½	65	M. Wtr. 'B' 3½ '34-2003	68 ½	68 ½	4 14 6 1	57/7 ½
104 ½	100 ½	102 ½	94	Agrie. Mort. 5½ '59-89	100 ½	100 ½	4 19 7 ½	105/1 ½
109 ½	71 ½	122 ½	91	German 7½	107 ½	107 ½	...	57/3
168 ½	102 ½	213 ½	149	German 5½	182 ½	182 ½	...	24/10 ½
171 ½	132 ½	211 ½	160	Japan 5½ 1907	208 ½	208 ½	...	60/3
198 ½	167 ½	254 ½	190	Japan 5½ Conv. 1930	246 ½	247 ½	...	47/6

Prices, 1955 Jan. 1 to Nov. 23		Last Two Dividends		ORDINARY STOCKS		Price, Nov. 16, 1955	Price, Nov. 23, 1955	Yield, Nov. 23, 1955
High	Low	(a) (b) (c)						
		%	%	BANKS & DISCOUNT				f s d
58/7½	45/9	7 b	5 a	Barclays £1		48/6	48/6	4 19 0
76/7½	56/4½	15 c	6 a	Lloyds 'A' £5, £1 pd.		57/6	57/6	5 4 4
89/3	71/3	18 c	9 a	Midland '1, fully pd.		73/-	73/-	4 18 0
87/-	66/3	18 c	9 a	N. Prov. 'B' £5, £1 pd.		70/6	71/6	5 0 8
96/10½	74/9	8 b	8 a	Westmstr. 'B' £4, £1 pd.		76/-	76/6	5 4 4
69/-	44/-	8½ b	3½ a	Alexanders '£1		47/6	46/6	5 7 6
58/6	45/-	7 b	5 a	Nat. Disc. 'B' £1		48/-	48/-	5 0 0
60/-	47/3	12½ c	6½ a	Union Disc. £1		48/-	48/-	5 4 4
40/1½	32/-	4 a	4 b	Barc. (D.C.O.) £1		33/6	33/6	3 19 7
51/9	40/6	7½ b	7½ a	Chart. Bk. of India £1		42/-	42/6	7 1 2

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Nov. 5th	Western Europe	Nov. 5th
Production and Consumption	Nov. 12th	Production and Trade.....	Nov. 12th
Manpower.....	Nov. 19th	British Commonwealth	Nov. 12th
External Trade.....	This week	Western Europe	Nov. 19th
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Oct. 15th	United States	This week
	World Trade.....	Oct. 15th	

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

	Unit	Monthly averages			1954			1955			
		1952	1953	1954	Aug.	Sept.	Oct.	July	Aug.	Sept.	Oct.
VALUE											
Imports :	£ million	289.8	278.6	281.6	266.8	285.8	228.2	338.8	342.3	304.4	333.4
Total	"	100.5	109.7	110.9	96.3	116.5	89.0	118.9	114.1	105.9	122.2
Food, drink and tobacco	"	95.4	87.8	85.4	87.7	80.0	64.9	100.7	111.0	91.3	94.6
Basic materials	"	28.2	26.1	27.4	29.6	28.7	27.6	34.9	38.0	34.5	34.5
Mineral fuels and lubricants	"	64.1	53.6	56.7	52.2	59.1	45.7	83.1	78.0	71.3	80.8
Manufactures	"										
Exports of UK produce :	"	215.4	215.2	222.9	205.7	210.5	214.9	223.0	264.2	243.2	267.8
Total	"	178.5	174.9	181.0	167.9	169.7	172.5	184.3	221.3	199.2	219.5
Manufactures	"										
Re-exports	"	12.0	8.8	8.4	8.4	6.2	9.2	7.9	10.0	10.6	12.8
Balance of trade (exports less imports) ..	"	- 62.4	- 54.6	- 50.3	- 52.7	- 69.1	- 4.1	- 107.9	- 68.1	- 50.6	- 52.8
VOLUME											
Imports	1950=100	103	112	114	107	116	93	135	136	119	...
Exports	"	95	98	104	94	101	101	103	122	112	...
BY AREA											
Imports :	£ million	60.1	52.9	51.6	50.3	56.7	53.1	79.0	74.5	71.1	74.4
Dollar area—total	"	26.2	21.1	23.6	23.4	27.2	28.0	40.6	33.9	35.4	40.3
" USA	"	26.7	25.5	22.7	22.0	24.9	20.9	28.5	33.4	28.6	28.2
" Canada	"										
Non-sterling OEEC countries	"	71.3	64.0	68.2	64.4	72.5	63.2	79.8	84.0	83.4	84.8
Sterling area	"	119.7	125.3	125.1	111.9	115.3	84.1	134.5	136.1	106.5	125.4
Exports :	"										
Dollar area—total	"	31.4	33.7	31.3	25.3	28.1	35.4	36.5	41.5	34.3	41.9
" USA	"	15.1	14.3	13.3	10.6	13.0	13.9	16.6	19.1	17.3	20.6
" Canada	"	11.0	13.4	11.3	10.0	9.5	10.5	15.1	14.2	12.1	14.2
Non-sterling OEEC countries	"	58.4	62.2	64.7	60.3	62.6	60.4	67.8	61.7	63.8	70.9
Sterling area	"	107.0	105.8	112.3	108.8	106.5	107.1	102.2	136.7	128.3	135.3
Balance of trade (exports less imports) :	"	- 28.7	- 19.2	- 20.3	- 25.0	- 28.6	- 17.7	- 42.5	- 33.0	- 36.8	- 32.5
Dollar area	"	- 12.9	- 1.8	- 3.5	- 4.1	- 9.9	- 2.8	- 12.0	- 22.3	- 19.6	- 13.9
Non-sterling OEEC countries	"	- 12.7	- 19.5	- 12.8	- 3.1	- 8.8	+ 23.0	- 32.3	+ 0.6	+ 21.8	+ 9.9
Sterling area	"										
TRADE IN SELECTED COMMODITIES											
Imports :	'000 tons	325.3	335.0	289.1	356.8	478.8	358.3	332.5	467.6	324.6	355.5
Wheat	"	45.5	63.1	56.4	40.9	48.6	31.0	60.5	62.7	68.8	73.2
Meat	"	164.6	247.4	201.5	125.5	179.3	137.4	228.4	115.6	167.3	205.7
Sugar, unrefined	"										
Raw cotton (1)	mn. lb.	21.8	27.5	30.8	34.4	24.6	19.1	20.1	26.6	17.8	21.3
Raw wool, sheep's and lambs' (1)	'000 tons	51.9	63.2	51.9	34.9	21.5	29.5	75.7	60.1	16.2	36.8
Rubber, natural and synthetic (1) ..	"	16.7	18.4	20.7	16.2	23.8	12.0	27.0	31.7	23.4	20.8
Softwood	'000 stds.	85.2	119.1	122.2	162.0	163.9	116.2	189.2	197.9	211.2	187.5
Woodpulp	'000 tons	119.8	133.7	159.9	171.7	178.3	144.1	200.3	221.6	205.2	172.5
Crude petroleum	mn. galls.	494	558	606	619	613	604	596	657	589	587
Exports of UK produce :	'000 tons	1,254	1,400	1,351	1,242	1,285	1,492	1,029	1,184	1,312	1,395
Coal, including bunkers	mn. sq. yds.	59	59	53	47	47	50	42	56	46	43
Woven piece-goods—cotton	"	8,143	8,710	8,205	8,767	6,953	8,559	9,216	11,595	8,351	9,895
" " wool	'000 sq. yds.										
Passenger cars and chassis	number	25,824	25,181	30,507	25,474	30,118	27,392	30,828	28,085	30,584	29,961
Commercial vehicles and chassis	"	10,636	9,196	10,521	9,058	8,955	9,306	12,347	13,731	13,409	14,884
Agricultural tractors	"	8,746	7,807	8,979	7,597	10,292	9,154	8,685	8,862	9,213	7,235
Machinery—electrical	£'000	4,805	5,023	4,916	4,390	4,130	4,516	3,683	6,611	5,349	5,497
" other	"	29,758	30,003	30,575	26,751	27,668	27,218	32,094	39,143	33,082	38,282
Chemicals, elements and compounds ..	"	4,352	4,177	4,215	3,986	3,900	4,122	3,906	5,197	4,694	4,635

(1) Retained imports.

US Statistics

Monthly averages or calendar months except where annual rates are shown.

PRICES AND WAGES

	Wholesale prices		Consumer prices				External prices			Stock prices	Average weekly earnings in manufacturing	
	All commodities	Farm products	All items	Food	Clothing	Housing	Import	Export	Terms of trade	Composite index	At current prices	At 1954 prices
	1947-49=100						1948=100			1939=100	\$	
1939	50.1	36.5	59.4	47.1	52.5	...	41	48	85	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	120	100	120	229.8	71.86	71.86
1955, June	110.3	91.8	114.4	111.3	103.2	119.7	119	102	117	302.9	76.11	76.34
" July	110.5	89.5	114.7	112.1	103.2	119.9	118	102	116	318.8	76.36	76.44
" August	110.9	88.1	114.5	111.2	103.4	120.0	...	...	...	315.3	76.33	76.56
" September	111.7	89.3	114.9	111.6	104.6	120.4	...	...	...	326.6	77.71	77.63
" October	111.5	86.7	...	...	...	...	...	...	...	310.2	78.69	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rates	Total industrial production	Manufacturing production						Building New construction seasonally adjusted annual rates	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 and petroleum products					
	\$ billion	Index 1947-49=100; seasonally adjusted									\$ billion	thousands	% rate
1939	91.1	58	49	54	47	66	80	49	8.2	55,230	45,750	17.2	
1953	364.5	134	153	132	189	118	107	142	35.3	63,815	62,213	2.5	
1954	360.5	125	137	108	175	116	100	142	37.6	64,468 ¹	61,238 ¹	5.0 ¹	
1955, June	384.8 ¹	139	155	143	194	128	110	161	42.8	66,696 ¹	64,016 ¹	4.0 ¹	
" July	391.5	139	155	134	203	126	110	160	42.5	67,465 ¹	64,994 ¹	3.7 ¹	
" August		140	158	139	206	125	107	159	42.3	67,726 ¹	65,488 ¹	3.3 ¹	
" September		142	160	145	206	127	110	162	42.4	66,882 ¹	64,733 ¹	3.2 ¹	
" October		142	161	146	209	128	111	162	41.8	67,292 ¹	65,161 ¹	3.2 ¹	

TRADE

	Personal consumption Annual rates	All business		Total retail		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million			1936-38=100			
1939	67.6	10.8	20.1	3.5	5.5	190	62	41	139	94	113	
1953	230.6	48.4	80.3	14.2	22.7	898	217	224	1,304	911	158	262
1954	236.5	46.7	76.9	14.2	22.1	853	200	193	1,247	811	146	253
1955, April	250.5	50.9	77.7	15.3	22.8	872	225	211	1,247	803	150	253
" May	...	51.7	78.3	15.4	23.0	959	237	236	1,311	845	167	262
" June	...	52.2	78.8	15.4	23.2	942	243	236	1,309	807	164	264
" July	...	51.9	79.2	15.3	23.4	879	220	211	1,257	773	155	254
" August	256.0	52.8	79.6	15.7	23.3	959	250	254	1,223	749	...	...
" September	...	53.3	79.9	15.8	23.2	951	...	...	1,239	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics ^a		Budget expenditure ^a		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion ; seasonally adjusted annual rates			\$ billion ; end of period		\$ billion ; end of period		\$ billion		Per cent per annum		
1939	72.9	46.6	4.3	7.22	4.50	23.4	17.2	9.0	- 3.9	0.023	...	3.01
1953	286.2	204.6	12.3	29.54	22.19	78.1	67.6	74.3	- 9.4	1.931	2.93	3.20
1954	287.6	202.8	12.0	30.13	22.47	85.3	70.6	67.8	- 3.1	0.953	2.53	2.90
1955, May	301.4	214.2	10.9	31.57	24.15	81.7	73.8	5.4	- 0.9	1.491	2.76	3.04
" June	301.6	214.9	10.5	32.47	24.91	80.1	75.2	6.7	+ 3.4	1.432	2.77	3.05
" July	305.3	219.4	9.8	32.90	25.48	80.4	76.6	5.4	- 2.6	1.622	2.88	3.06
" August	305.3	218.2	10.6	33.64	26.16	79.3	77.3	6.2	- 1.5	1.876	2.91	3.11
" September	307.5	219.0	11.3	34.29	26.70	78.9	78.4	5.3	+ 0.2	2.086	2.88	3.13
" October	...	...	...	...	...	...	...	...	...	2.259	2.82	3.10

Financial Statistics

EXCHEQUER RETURNS

For the week ended November 19th there was an "above-line" deficit (after allowing for Sinking Funds) of £19,762,000 compared with a surplus of £13,313,000 in the previous week and a deficit of £20,094,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £1,591,000, bringing the total cumulative deficit to £604,307,000 (£439,846,000 in 1954-55).

£'000	Estimate 1955-56	Nov. 20, 1954	April 1, 1955 to Nov. 19, 1955	Week ended Nov. 19, 1954	Week ended Nov. 19, 1955
Ord. Revenue					
Income Tax	1877,400	562,077	600,724	13,291	19,017
Sur-tax	135,000	39,800	36,700	1,000	1,200
Death Duties	185,000	118,000	114,500	4,200	3,900
Stamps	74,000	46,470	46,500	1,900	1,400
Profits Tax E.P.T.	180,000	114,900	134,100	2,700	3,100
Excess Profits Levy	25,000	55,700	14,600	1,100	200
Special Contribution	1,000	780	300	...	...
Inland Revenue					
Total Inland Rev.	2478,400	937,727	947,424	24,191	28,817
Customs	1131,700	723,171	746,628	24,509	25,694
Excise	811,050	505,770	556,150	17,140	21,020
Total Customs and Excise	1942,750	1229,541	1302,778	41,649	46,714
Motor Duties	80,000	19,659	22,623	...	...
PO (Net Receipts)	10,750	7,950	2,550	4,850	...
Broadcast Licences	25,000	10,100	11,800	...	...
Sundry Loans	24,000	20,281	23,316	...	...
Miscellaneous	175,000	84,276	77,280	2,802	518
Total	4725,150	2312,334	2393,171	71,192	80,899
Ord. Expenditure					
Debt Interest	600,000	363,199	407,872	19,326	22,510
Payments to N. Ireland Exchequer	53,000	28,173	32,574	...	...
Other Cons. Fund	10,000	5,303	6,236	181	...
Supply Services	3898,870	2111,484	2158,918	71,510	77,800
Total	4561,870	2508,159	2605,601	91,006	100,310
Sinking Funds	36,000	22,090	21,850	280	350
"Above-line" Surplus or Deficit		217,915	234,280	20,094	19,762
"Below-line" Net Expenditure		221,931	370,027	9,834	1,591
Total Surplus or Deficit		439,846	604,307	17,260	21,353
Net Receipts from:					
Tax Reserve Certificates	225,697	113,942	1,429	422	...
Savings Certificates	18,800	10,700	5,900	1,200	...
Defence Bonds	1,030	21,350	2,407	153	...

THE MONEY MARKET

CREDIT in Lombard Street has been in taut supply in the past week. The market has generally just managed to balance its books without official intervention; but on Monday, two or three houses were still obliged to take a small amount of loans at Bank rate. Rates for outside money have ranged between 2½ and 4 per cent. Dealing rates for January and February maturities have been mainly at 4½ and 4¾ per cent.

Following the news late last week of the increase in rediscount rates of six US Federal Reserve Banks from 2½ to 2½ per cent, the premium on the forward dollar fell by ½ cent to 1½-1½ cents. Hence, even after the rise in the US Treasury bill rate this week to 2.44 per cent, the margin between New York and London rates is still perceptibly smaller than the cost of obtaining forward exchange cover.

The discount market made no change in its bid at the Treasury bill tender on Friday of last week, offering £99 5s. 9d. per cent for the £50 million of 63-day bills and £98 19s. 6d. per cent for the £240 million of 91-day bills. But total applications fell considerably—by £3.7 million to £64.3 million for the two months and by £23.1 million to £315.2 million for the three months maturities—and the market's allotment rose from 70 to 75 per cent and from 47 to 66 per cent respectively. Its average allotment on all bills rose from 51 to 68 per cent. At yesterday's tender, the total offering remained at £290 million, but the amount in 63-day bills was raised from £50 to £60 million.

LONDON MONEY RATES

Bank rate (from 3½% 24/2/55)	Discount rates
Deposits (max)	Bank bills 60 days 4½-4¾
Banks 2½	3 months 4½-4¾
Discount houses 2½	4 months 4½-4¾
	6 months 4½-4¾
Money Day-to-day 2½-4	Fine trade bills
Short periods 2½-3½	3 months 5-5½
Treas. bills 2 months 4½	4 months 5-5½
3 months 4½	6 months 5½-6

* Call money.

BANK OF ENGLAND RETURNS
(£ million)

	1954	1955
	Nov. 24	Nov. 16
Issue Department*		
Notes in circulation	1,651.9	1,777.7
Notes in banking dept.	23.5	22.6
Govt. debt and securities*	1,611.3	1,796.2
Other securities	0.7	0.7
Gold coin and bullion	0.4	0.4
Coin other than gold coin	3.0	3.0
Banking Department		
Deposits:		
Public accounts	11.7	13.2
Treasury special account	9.6	3.0
Bankers	293.7	252.0
Others	72.3	65.3
Total	387.3	333.5
Securities:		
Government	360.1	295.2
Discounts and advances	4.5	14.5
Other	14.8	16.8
Total	379.4	326.5
Banking department reserve	25.9	25.1
"Proportion"	6.6	7.5

* Government debt is £11,015,100 capital £14,553,000. Fiduciary issue reduced to £1,800 million from £1,825 million on September 7th, 1955.

TREASURY BILLS

Date of Tender	Amount (£ million)		91 Day Bills	
	Offered	Applied for	Average Rate of Allotment	Allotted at Max. Rate*
1954				
Nov. 19	91 Day 260.0	Total 424.9	32 5-80	41
1955				
Aug. 19	270.0	380.1	80 1-28	62
" 26	280.0	388.4	80 1-10	61
Sept. 2	290.0	362.9	81 3-78	70
" 9	300.0†	381.1	81 4-67	64
" 16	290.0	344.8	81 5-52	80
" 23	280.0	369.7	81 5-14	69
" 30	280.0	359.4	81 5-33	70
Oct. 7	270.0	361.4	81 5-25	66
" 14	260.0†	363.8	81 4-99	51
" 21	240.0	372.6	81 4-94	51
" 28	250.0	381.7	81 4-98	52
Nov. 4	91 Day 200.0	Total 369.7	81 11-65	46
" 11	220.0	406.2	82 0-43	47
" 18	240.0	379.5	82 1-18	66

* On Nov. 18th tenders for 91 day bills at £98 19s. 6d. secured 68 per cent, and for 63 day bills at £99 5s. 9d. 75 per cent, higher tenders being allotted in full. Yesterday's offering of £290 million included £60 million at 63 days.
† Allotment cut to £290 million.
‡ Allotment cut to £230 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot					
	November 23	November 17	November 18	November 19	November 21	November 22	November 23
United States \$...	2-78-2-82	2-80½-2-80½	2-80½-2-80½	2-80½-2-80½	2-80½-2-81½	2-80½-2-80½	2-80½-2-80½
Canadian \$		2-80½-2-80½	2-80½-2-80½	2-80½-2-80½	2-80½-2-80½	2-79½-2-80½	2-80-2-80½
French Fr	972-65-987-35	982-982	982-982	981½-982	981½-982	981½-981½	981½-981½
Swiss Fr.	12-15½-12-33½	12-25½-12-25½	12-25½-12-25½	12-25½-12-26	12-26-12-26½	12-26½-12-26½	12-26½-12-26½
Belgian Fr.	138-95	139-65	139-75	139-75	139-77½	139-80	139-85
Dutch Gld.	141-05	139-70	139-80	139-80	139-82½	139-85	139-90
W. Ger. D-Mk	10-55-10-72	10-63½-10-63½	10-63½-10-63½	10-63½-10-63½	10-63½-10-63½	10-63½-10-63½	10-63½-10-63½
Portuguese Esc.	11-67½-11-84½	11-75½-11-75½	11-75½-11-75½	11-74½-11-75½	11-75½-11-75½	11-75½-11-75½	11-75½-11-75½
Italian Lire	79-90-81-10	80-00-80-15	80-00-80-15	80-00-80-15	80-00-80-15	80-00-80-15	80-00-80-20
Swedish Kr.	17361-17621	17581-17591	1759-1760	1759-1760	1759-1760	1760-1761	1760-1761
Danish Kr.	14-372-14-592	14-521-14-521	14-531-14-531	14-531-14-531	14-531-14-531	14-531-14-531	14-531-14-531
Norwegian Kr.	19-191-19-481	19-331-19-341	19-331-19-34	19-331-19-34	19-331-19-33	19-331-19-33	19-331-19-35½
	19-85-20-15	20-00½-20-00½	20-00½-20-00½	20-00½-20-00½	20-00½-20-01	20-00½-20-01	20-00½-20-01
One Month Forward Rates							
United States \$	2-8½-2-8½	2-8½-2-8½	2-8½-2-8½	2-8½-2-8½	2-8½-2-8½	2-8½-2-8½	2-8½-2-8½
Canadian \$	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½
French Fr	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½	1-1½-1-1½
Swiss Fr.	3-2½-3-2½	3-2½-3-2½	3-2½-3-2½	3-2½-3-2½	3-2½-3-2½	3-2½-3-2½	3-2½-3-2½
Belgian Fr.	3-1½-3-1½	3-1½-3-1½	3-1½-3-1½	3-1½-3-1½	3-1½-3-1½	3-1½-3-1½	3-1½-3-1½
Dutch Gld.	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½
W. Ger. D-Mk.	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½	21-2½-21-2½
Italian Lire	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis	2 pm-2 dis
Swedish Kr.	20 pm-par	20 pm-par	20 pm-par	20 pm-par	20 pm-par	20 pm-par	20 pm-par
Danish Kr.	4-10 pm	3½ pm-par	3½ pm-par	3½ pm-par	3½ pm-par	3½ pm-par	3½ pm-par
Norwegian 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
Gold Price at Fixing							
Price (s. d. per fine oz.)	249/8½	249/8½	...	249/8½	249/8	249/8½	249/8½

FLOATING DEBT
(£ million)

Date	Treasury Bills		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts	Bank of England	
1954					
Nov. 20	3,480.0	1,548.1	291.8	...	5,319.8
1955					
Aug. 20	3,320.0	2,027.8	257.8	...	5,605.6
" 27	3,350.0	2,008.7	249.7	...	5,608.4
Sept. 3	3,380.0	1,998.5	265.0	...	5,543.5
" 10	3,420.0	2,023.3	249.9	...	5,693.3
" 17	3,450.0	2,035.2	251.0	...	5,737.2
" 24	3,480.0	2,000.0	263.4	...	5,743.4
" 30	5,498.3	...	258.4	...	5,756.7
Oct. 8	3,480.0	2,025.9	260.1	...	5,766.0
" 15	3,470.0	1,810.2	272.3	2.3	5,554.8
" 22	3,440.0	1,868.5	272.3	...	5,580.7
" 29	3,440.0	1,871.4	258.2	5.0	5,574.6
Nov. 5	3,450.0	1,834.1	253.8	0.3	5,538.1
" 12	3,470.0	1,806.2	249.9	...	5,526.1
" 19	3,500.0	1,856.5	284.2	...	5,640.7



ALLIANCE

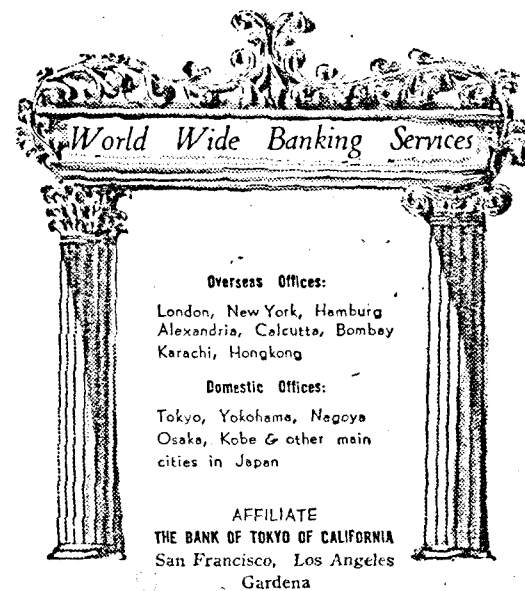
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RESULTS ACHIEVED AT
THE YEAR ENDED
30th SEPT. 1955 INCLUDE:

TOTAL ASSETS
£95,025,644
(Increase £9,723,009)

RESERVES
£5,012,819
(Increase £332,819)

MORTGAGE ASSETS
£78,910,345
(Increase £8,659,613)

LIQUID FUNDS
£15,614,413
(Increase £973,220)

To the investor these figures
represent the maximum degree
of security and in addition

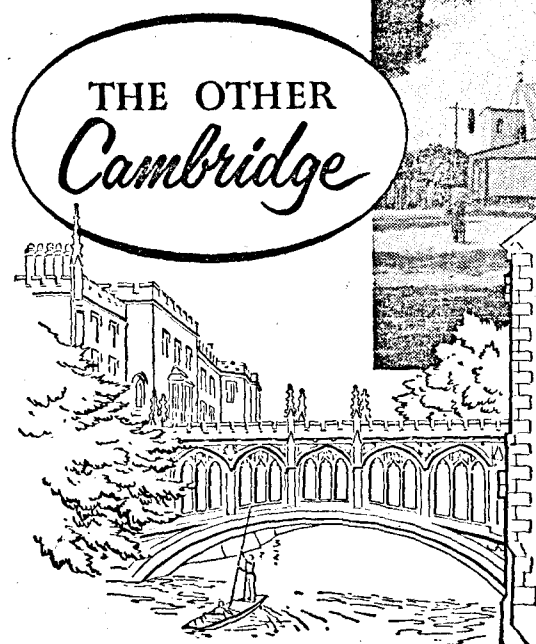
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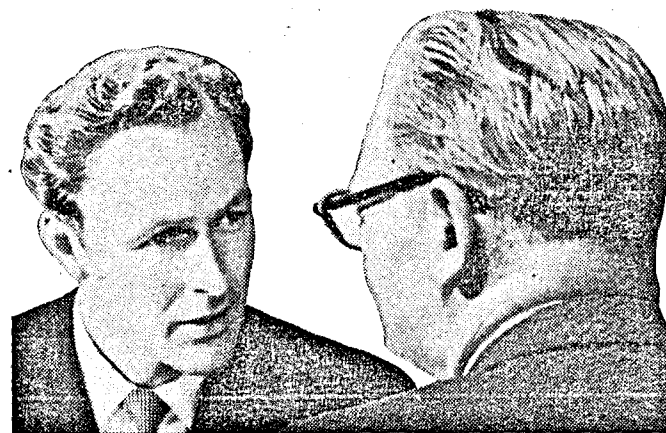


MARTINS BANK LIMITED

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Total Assets (as at 30th June, 1955): £330,928,759.



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COMPANY MEETINGS

THE WALL PAPER MANUFACTURERS LIMITED

GROUP PROFITS MAINTAINED

SOLIDITY OF FINANCIAL AND TRADING STRUCTURE

RESOURCES HUSBANDED TO MEET CONTINUOUS EXPANSION PROGRAMME

ADDITIONAL PRODUCTION ONLY CURE FOR INFLATION

MR ALFRED WHITTLE ON NEED FOR RESTORATION OF ECONOMIC INCENTIVES

The fifty-sixth annual general meeting of The Wall Paper Manufacturers Limited was held on November 23rd at the Midland Hotel, Manchester.

Mr Alfred Whittle, FCA, Chairman of the Company, who presided, said:

Ladies and Gentlemen: As you have had the Directors' Report and Statement of Accounts for the year ended June 30, 1955, in your hands for some weeks, I do not propose to refer to all the items in detail but will comment briefly on certain important matters which appear in the Consolidated Profit and Loss Account and in the Consolidated Balance Sheet.

GROUP PROFITS AND APPROPRIATIONS

The Accounts show that the net profit of the Group before charging taxation amounts to £3,097,751. This figure is arrived at after deducting approximately £700,000 for debenture interest, depreciation, pension fund contributions and goodwill written off.

The charge for taxation £1,810,108 is the estimated amount payable on the profits of the year under review, leaving £1,287,643 as the net profit of the Group, a decrease of £233,442. The net profit added to the amount brought forward from last year makes available for appropriations and dividends £3,509,370.

Out of this amount the Subsidiary Companies have transferred £475,000 to their Renewal and Development Reserves and the Parent Company £250,000 to a similar reserve as well as £100,000 to General Reserve. In addition, £50,000 has been allocated to Pension Funds. Deducting these appropriations and the dividends already paid and those recommended on the Preference, Ordinary and Deferred Stocks there will remain a balance of £2,109,735 to carry forward to next year, of which £1,464,301 is attributable to the Subsidiary Companies and £645,434 to the Parent Company.

GROUP BALANCE SHEET

Capital expenditure to the extent of £1,192,000 has been incurred during the year, and this amount, after deducting disposals and depreciation, brings the book value of Fixed Assets to £6,042,686 as against £5,437,914.

Current Assets at a total of £18,365,960 need little comment, as the increases under this heading are due to expansion in trading. It will be observed that the Group's Current Assets now exceed Current Liabilities and Provisions by £12,095,291.

On the other side of the Balance Sheet Revenue Reserves, including that for future taxation and Unappropriated Profits, amount to £9,987,985, an increase of £1,016,957.

At this stage it would, I think, be appropriate to say a few words about the largest reserve we have built up and which is included in the amount of £9,987,985. I refer to the reserve for renewal and development.

RENEWAL AND DEVELOPMENT

The amount set aside for these purposes now stands at £2,760,000 and is intended to finance the various schemes throughout the Group: those already in hand and those which will be undertaken in the near future. At the end of the financial year the Group's commitments for Capital Expenditure amounted to £1,771,000, and since June 30th last further sums of approximately £400,000 have been sanctioned by the Board. I have already mentioned that during the past year £1,192,000 has been spent on additional Fixed Assets spread over many units of the Group. This expenditure is for new buildings and plant at our Paper and Wallpaper mills, our Paint, Mica and Fabrics factories and for the fixed assets of businesses purchased during the year.

We are indeed favourably placed in being able to finance these extensive capital schemes from our own internal resources. The steady ploughing back of profits for which your Company has been noted for many years enables us, now that restrictions on building have been removed, to go forward unhampered with the extension of works, the installation of new plant and the acquisition of new businesses which will further strengthen the already very solid structure of the Company. The enterprises in the Group will continue to expand and we shall constantly need to call upon our liquid resources which are just where we want them—in our own business—waiting for conversion into Capital assets as these are called for. The equity stockholders could have no better assurance for the future of their investment.

WALLPAPER

The demand for wallpaper was well maintained last year and sales were satisfactory. The factories were kept busy and a fair amount of overtime was worked. The profit from wallpaper manufacture has again been very small and quite incommensurate with the capital invested in the industry and with the hard work and inventive effort exerted by your Directors and the Staffs. We make no complaint about this. We knew in 1945 when production of wallpaper was resumed that the industry faced a period of difficult trading. We knew that the cost of paper would be very high for a long time and we accepted that the industry would have to bear, through purchase tax, a disproportionate share of the burden of the nation's fight against inflation. For this reason we chose

to regard the period as one of transition during which we have been prepared to nurse the industry back to full health without expecting it to give us a maximum return. Because of the commanding position of the Company we have been able to set standards for the whole industry and these standards have called for better and better quality. During the last ten years we have been witnessing, coincident with the improvement of public taste, the gradual elimination of inferior designs and colourings from the wallpaper collections and their replacement by wallpapers of the best design and colouring. Today our machines are producing effects which formerly were only obtainable by hand printing; the prices of these wallpapers are within everybody's purse. The three main wallpaper lines produced by your Company—Sanderson, Crown and Lancastria—are household words not only in this country but in every part of the world where wallpaper is used.

Your directors are conscious of their responsibility in the question of the price which the public pays for wallpaper (which is the most popular form of decoration). The company has for ten years shielded the householder from the very high cost of paper. I go out of my way to mention this because your company, in its wallpaper section, which is responsible for about 70 per cent of the United Kingdom output, is classed as a monopoly. In the minds of those people who have not yet grown aware of the economic debt which Great Britain owes to the work and achievements of its large industrial undertakings, monopoly is associated with high prices. I desire to place on record that so far as the wallpaper section of your Company is considered a so-called monopoly, it is to be credited with having given the public lower prices; and further that it will, so long as it is able and allowed to do so, continue its policy of high quality and low prices. It is an important part of this policy that we have the understanding support and collaboration of all those Distributors, both wholesale and retail, who have the best interest of the public and the good name of the trade at heart.

SERVICE TO ARCHITECTS

One of the problems of the wallpaper manufacturer is to get the whole of his range of patterns before the public so that the householder seeking novel and striking designs and colourings, those in the vanguard of fashion, may know whether what he wants is available. Such lines tend not to be taken up at the outset by distributors generally, a factor which results in the manufacturer being regarded by the public as conservative and not moving in line with other industries that keep abreast of the influences on design and colour, which now more than ever come from many parts of the world. We are doing

our best to solve this problem by the displays which we make and constantly change in our extensive showrooms at King's House in Manchester and at High Holborn in London. We have supplemented this by the forming of an Advisory Department whose specialised duty it is to give service to Architects on decoration. The facilities available in the showrooms and the new department are being fully used by the public and the profession. These services are complementary to those given by our leading distributor customers. I hope that stockholders will, when opportunity occurs, make a point of visiting either the Manchester or the London premises.

We continue to give the closest attention to our publicity policy and take great care in letting the Press have very early information about what we are producing and what we are doing. We are conscious that in one small way or another wallpaper is constantly in the news and we collaborate with the Press in securing accuracy of detail and information.

Export trade in wallpaper remains very difficult and new problems continue to be thrown up in different markets all over the world. Taking one year with another, we are about maintaining our figures, but we are often fighting difficulties unconnected with competition in price and quality. Our overseas customers and agents are regularly visited by directors and senior officials.

PAPER MAKING

Closely linked to our business of wallpaper manufacture is that of paper making. Very heavy expenditure has been made at the Hollins Paper Mill at Darwen, the whole of whose output is taken by our wallpaper mills apart from the lining papers made for our customers. Also extensive additions to buildings and machinery at the mills of the Darwen Paper Mill Company Limited were commenced during the year under review and will be completed during the early part of next year. These mills sell the bulk of their varied output outside the Group, but their contribution to the Parent Company's supply requirements is made without hindering sales to their other customers.

It has been very fortunate for us that during these last few years, when paper has been difficult to obtain, we have had our own sources of supply. The heavy expenditure on these mills, and paper making calls for very heavy investments on plant and machinery and on the adaptation of buildings to changing needs, has been and will, I am sure, continue to be justified.

The main restriction on paper making has been the shortage and the high price of the basic raw materials. The shortage is intensified by currency restrictions, but would not be completely removed by the easing of those limitations because world demand for paper is outstripping supply. It was indeed these considerations that some years ago impelled us to acquire the buildings and plant at Radcliffe at which our subsidiary, The Straw Pulp Manufacturing Company Limited, commenced the processing of home-grown straw (a substitute for imported wood pulp) for our paper-making mills. We continue to be very satisfied in having under our control this channel of supply of an invaluable paper-making material, even though only part of its output is absorbed in the subsequent processes of paper making for wallpaper manufacture. As mentioned in the Directors' Report, a paper-making machine has been erected and is in production at the Straw Pulp subsidiary company.

PAINT MANUFACTURE

Paint manufacture is an industry—both complementary to and competitive with wall-

paper—in which we have a most important stake in our ownership of The Walpamur Company Limited. Already one of the leading paint manufacturers, it is gratifying to be able to report the further substantial and solid progress made by The Walpamur Company during the past year. In an industry that is highly competitive the esteem in which its products are held continues to grow, a fact which we attribute to the importance attached to the maintenance of quality and to the strength of its marketing arrangements.

There is a continued growth in the popularity of its leading lines, Walpamur Water Paint, Duradio Enamel Paint, Muromatte Flat Oil Paint, and Peveril Emulsion Paint; also Walpamur Glossy Finish, a gloss paint that can be thinned with water—a unique process which we pioneered. The many other paints that are produced for retail and industrial uses are making the same progress as the leading lines. Indeed it is difficult to think of a type of paint, however specialised it may be, that The Walpamur Company does not make. The past year has seen parallel with a continued heavy expenditure on improved manufacturing processes and on fundamental research, a sustained expansion of marketing arrangements based upon the opening of new depots and the acquisition of further merchandising businesses. The Walpamur Company's overseas subsidiaries in Canada, Eire and South Africa are progressing satisfactorily.

The Walpamur Company, itself the centre of a very large manufacturing and trading group within the Company, is a heavy contributor to our profit.

BRUSHES

The Hollins Brush Company Limited has had a difficult year, and its profit is less than that of the previous year, although sales have not declined. Profit margins have been low, but it is gratifying to report that on the home market its brushes are held in growing esteem and enjoy a high reputation for quality. The distributing subsidiary in Canada has not yet developed to the extent necessary to earn a profit.

POWDERED MICA, PLASTIC MOULDING POWDERS AND EBONITE

The various grades of powdered mica produced by Micafine Limited, for the many industries that it serves, are in steady demand. The plant has during the past year been operating to full capacity; our building extensions and the installation of a new plant will be completed early next year.

Our interest in the field of plastics is represented by our subsidiary, James Ferguson and Sons Limited, and I am satisfied that valuable as is our share in this young and expanding industry it will grow increasingly so. The range of consumer goods containing plastic material continues to increase—the industrial demand is already very wide and also still expanding.

This subsidiary has not had as good a year as previously; the moulding powder section, although maintaining sales, had smaller margins of profit, but the Ebonite section has had another satisfactory year.

SANDERSON GROUP

All sections of this Group show increased turnover.

The daily attendance at the famous London showroom in Berners Street has been very large; indeed a "Help Yourself" section is being instituted to speed up selection of wall-

papers and fabrics by customers who prefer to choose that way.

It is hoped this year to start the rebuilding of the large block of premises in Berners Street which has gradually been acquired to house the expansion of the business since it first came there in 1865.

Sanderson Fabrics have had a record turnover with a large proportion going overseas. The new Jacquard weaving section is now making a big contribution to the factory output.

DISTRIBUTING SUBSIDIARIES

I go on next to speak about the Wall Paper Stores Limited, our growing chain of retail shops which are positioned over the whole country, particularly in those places where there were no shops specialising in the display and sale over the counter of our products. It would be difficult to exaggerate the important part these shops play in popularising wallpaper, paints and brushes and in their method of presentation. Their work over the years has been invaluable apart from the substantial contribution they make to our Group profits. We must continue to open shops where we feel that existing channels of distribution do not bring the complete range of our products before the public.

Our merchandising subsidiaries, which supply the decorators and retailers, have also made very good progress during the past year. The high standard of display of the Group's products in their showrooms and the care taken in the compilation of their pattern books have been factors in maintaining the decorators' trade.

SELLING PRICES

Our policy throughout the Group is to keep the prices of our products as low as possible. Your Company has a stake in many industries—wallpaper, paint, paper, pulp, brushes, furnishing fabrics, plastics, mica, etc., and manufactures all these different products under varying conditions of competition. The strength of your Company is brought out by the fact that its principal profit-making sections are those in which extreme competition has to be faced.

CANADIAN COMPANIES

It is most disappointing for me to have to report the trading loss incurred by the Canadian Wallpaper Manufacturers Ltd. In my statement last year I mentioned that one mill had been closed down and I regret to say that throughout the last financial year there has been a steady decline in the sales of wallpaper which resulted in uneconomic manufacture. The Canadian productions are of high quality but costs are too high to enable them to market their output profitably. Guidance has been given by the Parent Company on measures to be taken to improve the trading position, but it will take some months for the results of these measures to become evident.

The trading loss of the Dominion Colour Corporation is entirely due to the fall in sales of colour to our wallpaper mills.

The Crown Diamond Paint Company has increased its sales and has had a satisfactory year.

LABOUR

Our relations with the many Trade Unions with which our various activities bring us into contact remain friendly; we are receiving co-operation from them in what is one of the major economic problems of our time

and one which will very largely determine the future of our country—the working out of fair wage and bonus rates which will secure greater production and at the same time give employees their share of the fruits of greater output. This problem is acute in our wallpaper factories because of the narrow margins on production but it is almost as important in our other manufacturing sections.

The various staff and workers' pension funds now over 25 years old continue to expand and are a valuable bond with our employees. These funds total £2,817,046.

FUTURE OUTLOOK

I have given account of the fortunes and minor reverses of the various sections of the Company. It is traditional for the Chairman of this Company not to take the future for granted—this was so in the comparatively calm days before 1939 and today is certainly not the time for me to break with tradition. There are so many uncertain factors in the background at the present time.

Our national difficulties at the present time stem largely from the strain on our productive capacity of the demand for both capital goods and consumer goods. With the national economy running at full speed, with maximum production needing to be fed with more imported raw materials, and with the stabilisation of our price level seemingly as far off as ever, it is clear that those responsible for the conduct of the nation's business, and I include the Trade Unions in this category, are going to face a period of acute difficulties and stresses. The situation demands discipline and forbearance from all concerned, and not least from the State. It must be remembered that during the last 15 years our economy has been cumulatively distorted by subsidies and tax manipulations which have hidden the real cost of very many commodities and services. We are now passing through a period during which artificial aids and checks are being abandoned. The sooner we can get back to true costs, the healthier will our economy become. It is a signal misfortune that the pruning of subsidies recently announced is accompanied by purchase tax increases. It is the clear duty of the State to bring down its expenditure and to withdraw from the nationalised industries and the local authorities their privileged claim on our national resources. The restoration of economic incentives combined with lower taxation will bring the additional production which is the only cure for inflation.

The fortunes of few business undertakings today are determined entirely by their own efforts and foresight. External forces intervene to falsify the most careful production and marketing planning and doubtless will continue to do so during the next few years whilst the Government unravels the tangle of artificial distortions which so sadly afflict industry. I feel that so far as your Company is concerned we shall be able to find our way through the difficulties that are within our control.

TRIBUTES

I would like to record on behalf of the Directors our appreciation of the successful conduct of the respective businesses of the Group by the Executives and Staffs, both of the Parent Company and our numerous subsidiaries, and to thank the employees everywhere for their loyal co-operation and hard work during the past year. I am satisfied that with a continuation of this assistance the Company can look forward to the future with confidence.

The report and accounts were adopted.

McDOUGALLS TRUST LIMITED

(McDougalls Self-Raising Flour, etc.)

SATISFACTORY TRADING RESULTS

MR KENNETH A. E. MOORE'S REVIEW

The Twenty-second Annual General Meeting of McDougalls Trust Limited was held on November 17th, in London.

In the course of his address to the shareholders, the Chairman (Mr Kenneth A. E. Moore) said:

The hopes which I expressed a year ago have been fulfilled and, as you will have appreciated on studying the Directors' Report, we have had a most satisfactory year—in fact, the best in the history of the Company.

INCREASED SALES

Sales of McDougalls Self-Raising Flour reached a new high level, and the turnover of our non-milling subsidiary companies again broke all records. The combined profits for the year amounted to £790,400, as compared with £624,639 for the preceding ten months. These profit figures were achieved in spite of the fact that, throughout the past year, the retail price of our flour was lower than it was when the Government relinquished control over production and prices two years ago. Thus McDougalls have done something towards reducing the cost of living.

You will see from the Directors' Report that we are recommending a final dividend of 10 per cent on the Ordinary shares, making 15 per cent for the year, and that, in outline, the figures are as follows:

Consolidated trading profits.....	£790,400
Sundry credits relating to previous periods.....	6,294
	796,694
Deducting from this:—	
Provision for taxation.....	£423,748
Dividends paid or proposed (less tax).....	157,386
	581,134
there remains, to be ploughed in.....	£215,560

Of this, £100,000 has been added to General Reserves (making them up to £564,329), £110,000 to Reserves for Advertising and Contingencies (making them up to £310,000), and £5,560 has been added to the Carry Forward.

INCIDENCE OF TAXATION

It is interesting to note that in a good year such as this the Government, by way of taxation, is taking nearly three times as much cash out of the business as are the shareholders, and that the shareholders are leaving more in the business than they are taking out by way of dividend.

Put in that way, it sounds rather monstrous but I can assure you that it is quite a modest example of what is common form nowadays in any soundly managed, flourishing and progressive company. The moral is that the community ought to put up a statue to the Unknown Shareholder who, out of his savings, provides the capital for industry and takes all the risks, whilst his sleeping partner—the State—puts up no money, takes no risk, but takes the lion's share of the profits, all in hard cash. By comparison

Nationalisation sounds a ludicrously unattractive alternative to the so-called Private Enterprise system.

You may wonder why, in this exceptionally good year, we are only recommending a marginal increase in dividend. There are many reasons. They include, quite apart from the inroads of taxation, the necessity to have regard to the increased cost of replacement of plant and the increased working capital required to finance wheat and other stocks in an inflationary world.

Against this background and in the phase of financial stringency which has now descended upon the capital market it is obviously more than ever desirable to take the opportunity in a good year of putting away as much as is reasonably possible to keep the business in good shape and to finance development.

POSTWAR DEVELOPMENT

In the years since the war we have spent very large sums on modernising and extending our plants, in building up our own transport fleet, and in extending the range of our business. All this has been achieved so far by the ploughing-in of undistributed profits.

Meanwhile, looking back over the years, you will be interested to know that our main business—the production and sale of McDougalls Self-Raising Flour—has in-

creased nearly three-fold since 1939 and this remarkable progress has been achieved against the tide in the sense that, since the war, the total consumption of flour in the United Kingdom has been falling off.

The growth of the business in recent years has involved a heavy strain on management, staff and workpeople and I have received some appreciative letters from shareholders at the encouraging results achieved. I am sure that those shareholders present today will wish to join with the Board in expressing their especial thanks to those who, by their initiative, hard work and team-spirit, have made such outstanding progress possible.

It is early days yet to make any forecast as to results in the current year. Trade was slack during the exceptionally fine summer months for the reason that, not unnaturally, the housewife was disinclined to cook in a hot kitchen. The fine summer has, however, brought us something which we very much welcome—an English wheat harvest of superlative quality which is fully reflected in our product.

The report and accounts were adopted.

JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY (Incorporated in the Union of South Africa)

EXTRACTS FROM CHAIRMAN'S SPEECH

The annual general meeting of the Johannesburg Consolidated Investment Company, Limited, was held on November 22nd in Johannesburg.

Mr H. J. Joel (the Chairman) in the course of his speech said that the net liquid assets, after providing for all taxation, had increased over the year by £2,204,000, i.e., from £858,000 to £3,062,000. That increase in the net liquid assets was due mainly to the reduction in taxation liabilities as explained in the Directors' Report. With regard to the amount of £4,938,000 transferred from Investment Reserve and applied in reduction of the book value of investments, the greater part of that adjustment related to their holding in Freddie's Consolidated Mines, Limited, which amounted to 7,479,528 shares at June 30, 1955, and had not materially altered since that date.

Turning to the Profit and Loss Account, income from investments showed a satisfactory increase of £187,000. Profit on realisation of investments had, on the other hand, declined by £364,000.

Apart from the advantage of non-liability to United Kingdom taxation in respect of the profits for the year under review, it had been possible to transfer to the credit of Profit and Loss Account the sum of £1,800,000 from the taxation provisions made in previous years. That arose partly from the income tax relief for a past year and partly from the effect of revaluation of investments on the taxable profits of a number of years. That amount, together with the profit for the year and the balance brought forward from the previous year, had enabled the transfer of a sum of £3,470,000 to Investment Reserve in order to make up the amount of £4,938,000 required for the adjustment of the book value of investments, and to provide for the dividend of 3s. per share less United Kingdom income tax, leaving a balance of £115,686 to be carried forward. It was his hope that the rate of dividend could at least be maintained at the present level.

GOLD MINING

The Chairman continued: References have been made at previous annual meetings of this Company to the effects upon marginal ore of increasing working costs.

It is indeed fortunate for the industry and South Africa as a whole that new mining areas have come to the fore, while the advent of uranium production has enabled certain mines which would otherwise have been on the verge of closure, to continue operating profitably.

The decline in the scale of operations of mines of this Group was foreseen, and in 1943 we commenced prospecting in the Orange Free State with the object of seeking out fresh mining ventures. The future of the Company depends largely on an ability to increase revenue and this in turn depends on an improvement in the rate of milling or in the value of the ore milled or both. The report of Freddie's Consolidated Mines, Limited, for the quarter ended September 30, 1955, emphasised the continuing difficulties encountered in endeavouring to increase the rate of production, but development is being vigorously carried out in an attempt to achieve this, and also to obtain information about the areas of the mine outside those already exploited.

ROAN ANTELOPE COPPER MINES LIMITED

(Incorporated in Northern Rhodesia)

The following is an abridgment of the Statement, dated October 18, 1955, by the Chairman (Mr Ronald L. PRAIN, OBE), circulated to the Members:

RESULTS FOR THE YEAR

Blister copper production for the year was 82,696 tons. The average cost of production of both blister and electrolytic copper increased from £126 1s. 0d. to £142 0s. 3d. The average realisation price of both types of copper for the year was £270 11s. 8d. per ton. The profit was £9,859,418 and the increase in the value of copper stocks brings this profit up to £10,626,303; taxes are estimated to be £3,896,000. The appropriation to Replacements Reserve is £1 million and the transfer to General Reserve is £1,400,000.

There remains £4,565,452 after bringing in £93,428 from the preceding year. Last July an interim dividend of 1s. 3d. per share, less taxes, was paid, and a final distribution of 2s. 9d., less taxes, is now recommended, making a total distribution of 4s. per share costing £4,494,000.

AFRICAN ADVANCEMENT

It was with much pleasure that we were able to announce last September that agreement had been reached between the Copperbelt Companies and the European Mine Workers' Union on a scheme which will provide immediately a number of new opportunities for our African employees and create for them the nucleus of an intermediate field of employment. The Agreement provides for a job survey to be undertaken as soon as possible of all the remaining jobs within the European field and provides for negotiations to follow the survey which will, we hope, result in a comprehensive plan which will represent a permanent solution of the advancement problem. The features of this plan, it is expected, will be the completion of the intermediate field for Africans and agreement on a permanent field of employment open to European Union members as at present and also open to suitably qualified and experienced Africans at the same rates of pay and emoluments as those enjoyed by Europeans similarly engaged.

This Agreement was the result of years of negotiation. During the last 10 years or so three Boards of Inquiry or Commissions have examined the problem of African advancement on the Copperbelt and increasing interest in this matter has been shown in many parts of the world. The Agreement that has now been reached reflects great credit on those who were responsible for negotiating it, and I should like to pay my tribute to the European Union for the realism with which they have dealt with this problem. A settlement along the lines envisaged will not only safeguard our European employees against any alleged risk of unfair competition, but will also provide for our African employees that real equality of opportunity which alone can give practical expression in the industrial field to the spirit of partnership on which the Federation is based. Africans will now have the chance, previously denied to them, of proving some of their claims. Difficulties in dealing with as complex a problem as this must inevitably arise from time to time, but given goodwill on all sides there appears to be now no reason why industrial relationships on the Copperbelt should not be placed on a sound and workable basis.

COPPER PRICE

When the price of any commodity rises as quickly and as much as the price of copper has in the last year, certain dangers arise; on the short term view the danger that the reaction in price, when it comes, may be just as drastic; on a long term view the danger that damage may be done permanently to that commodity's markets.

In the case of copper the position has been particularly vulnerable. For some time past consumers of copper, by which I mean both fabricators and end-users, have been concerned at three factors; the prevalence of strikes and other interruptions at the producing mines or smelters; the instability of the price; and the level of prices which they consider too high, whether by reference to past standards or to present production costs. Added factors have been the multi-price structure which, for reasons which I have not space to go into here, has existed in the copper world, and the difficulties in which many fabricators, particularly in Europe, have found themselves of financing their working stocks of a commodity which has risen in price so rapidly.

Because of these factors the fabricators and end-users have turned increasingly to the possibility of substitutes. It is, of course, easy to argue that substitution cannot replace all copper uses and that the remaining uses will absorb all supplies in sight. It is equally easy, however, to demonstrate that increasing consumer resistance must be encountered at each price rise over a certain figure which will vary from industry to industry. It so happens that the materials competing, each in their own field, with copper enjoy relative freedom from the handicaps I have mentioned above as applying to copper. Their prices enjoy great stability at what are considered reasonable levels and on the whole their supplies are not subject to major interruptions.

These problems have occurred at a time when large new productions of copper are about to reach the market. We have been increasingly concerned at the position, but we have realised that there is little any one producer can do to remedy the situation. We took the view, however, last May that while we could not hope to influence the price level or the incidence of strikes, we could at least impart some degree of stability to the market by quoting prices which would not change daily as was previously the case when our major contracts were governed by the London Metal Exchange quotations. Furthermore, we considered that such fixed prices should be approximately in line with the average of world prices as ascertained from time to time. In implementing this new policy we were not only reverting to the same policy as we pursued in the years from 1945 to 1953, but were also following the practice of most other large producers in the world. Our decision to make the change of policy was influenced by a request which was made to us by the copper fabricating industry of Great Britain. It has received the support also of the fabricating trade in other parts of the world, even if they are not our customers, and, as I mentioned above, most major producers in the world are now on some similar marketing basis, realising that it is up to the industry to do something towards matching the conditions offered by those other industries who market products which are now competing with copper.

RHODESIAN SELECTION TRUST LIMITED

(Incorporated in Northern Rhodesia)

MR RONALD L. PRAIN REVIEWS MAIN INTERESTS

The Twenty-seventh Annual General Meeting of Rhodesian Selection Trust Limited will be held at Salisbury, Southern Rhodesia, on December 16, 1955.

The following is an abridgment of the Statement, dated October 18, 1955, by the Chairman, Mr Ronald L. PRAIN, OBE, which has been circulated to the members.

I will start by reviewing briefly the position of the Companies in which we are mainly interested, namely, Mufulira, Chibuluma, Baluba and Chambishi.

MUFULIRA

Accompanying this Statement are the complete accounts, Directors' report, General Manager's report and Chairman's statement of the Mufulira Company, which between them will give you, I think, all the information you may require.

Our confidence in Mufulira as one of the great copper mines of the world remains unchanged.

During the year Mufulira made an issue of 666,667 shares at a price of £3 per share, this providing £2 million. We took up our rights, namely 400,200 shares at a cost of £1,200,600. Since the end of the financial year we have acquired from another shareholder a further 19,475 shares in Mufulira, together with a proportionate number of shares in Chibuluma, Baluba and Chambishi. Our holding in Mufulira is now 63.98 per cent.

CHIBULUMA

The annual accounts, Directors' report and Manager's report of the Chibuluma Company are being sent with this Statement. Since no Chairman's statement is issued by that Company, perhaps I may take this opportunity of adding a word on the present position at Chibuluma.

When the Chibuluma enterprise was started in 1951 it was planned to start ore hoisting in October, 1955. It reflects great credit on the Manager and his staff and the Consulting Engineers that the mine was in a position to carry out this programme. It is no fault of the organisation that certain delays have occurred in the arrival of the main winder and of the steelwork for the concentrator. However, by moving a temporary winder from Mufulira, ore hoisting did actually begin as planned in October, and will continue at an average rate of about 15/18,000 tons a month until the initial stopes have been opened up, when we shall be in a position to hoist the rated capacity of 40,000 tons per month.

The delay in the arrival of the main winder and concentrator steelwork was due partly to the suppliers, and partly to the dock strike in the United Kingdom. The concentrator is expected to be available for operations on or about April 1, 1956. Until then the ore which is now being hoisted will be added to the stockpile on the surface.

These delays will involve an unforeseen increase in the expenditure which must be incurred before revenue is received. The extent of this increase has still to be ascertained but it is hoped to avoid any call on shareholders to meet it.

The mill at Chibuluma will produce a copper concentrate and a cobalt concentrate. The copper concentrate will be smelted at one or more of the Copperbelt smelters and

the cobalt concentrate will be sent to the Chibuluma cobalt plant which is under construction at Ndola. This plant is expected to come into production about the middle of next year and arrangements are in hand for the treatment in Europe of its first product, which will be a cobalt matte containing about 10 per cent cobalt.

Apart from the unfortunate delays in arrival of equipment, which have arisen in the last few months, Chibuluma would probably have fulfilled its original time and financial targets.

After the share transactions mentioned in the preceding section our holding in Chibuluma is 64.29 per cent.

BALUBA AND CHAMBISHI

Our holding in each of these companies also is 64.29 per cent. Both are potentially large mines for the future and work is proceeding at both properties to increase our knowledge of the extent and characteristics of the orebodies.

RHODESIAN SELECTION TRUST SERVICES LIMITED

This Company continues to render administrative, managerial, technical and other services to all the Companies in the Rhodesian Selection Trust Group. It holds the appointment of Consulting Engineers to Chibuluma, Baluba and Chambishi and also to the Chisangwa, Kadola, Luapula, and Mwinilunga prospecting companies. Our interest in the latter companies is held through Mufulira's interest in these companies.

During the year the Rhodesian Selection Trust Services research and development centre at Kalulushi was officially opened and is already rendering valuable service to the Group as a whole.

EXPLORATION

Last July a new Company was registered in Southern Rhodesia called Rhodesian Selection Trust Exploration Limited, in which your Company has a direct share as well as an indirect one through Mufulira. This Company has been formed for the purpose of examining mining propositions within the Federation of Rhodesia and Nyasaland, but outside of the Copperbelt or of the main concession prospecting areas near the Copperbelt.

COMMITMENTS

I mentioned last year that in view of the increased scope and possibly greater financial commitments which your Company now has by virtue of its more diversified shareholding interests, the Board felt that the cash resources of the Company should be increased. Last year the dividend paid by the Company was somewhat less than its income and as a result the free cash in the Company was increased to about £297,000. This has been partly used up by the purchase of the shares in Mufulira, Chibuluma, Baluba and Chambishi which I mentioned earlier, which together cost about £175,000, reducing our free cash to £122,000. There are also continuing commitments on the drilling at Baluba and Chambishi, and some other minor calls on our funds.

For this reason your Board has this year

again decided to withhold a small proportion of the income to build up the cash resources further.

FINANCIAL AND DIVIDENDS

The income for the past year which, apart from a small credit for interest received, came exclusively from Mufulira dividends, amounted to £3,518,000, against which expenses amounted to about £65,000.

In July an interim dividend of 1s. 6d. per share, less taxes, was paid and the Directors have now recommended a final dividend of 3s. 3d. per share, less taxes.

If this recommendation is accepted by the shareholders in General Meeting the dividend distribution for the year will cost £3,357,000. This will allow the cash position to be built up again as outlined earlier, and the sum of £250,000 has therefore been transferred to General Reserve, representing approximately the free cash in the Company.

STOCK EXCHANGE LISTINGS

I indicated last year that we were taking steps to list the Company's shares on the New York Stock Exchange. Dealings began last July and have attracted considerable interest. During the first eleven weeks of trading in these shares the transactions in Rhodesian Selection Trust shares for three of those weeks were the highest of any security listed on the New York Stock Exchange, and the turnover for those eleven weeks was about 1,387,000 shares.

It is interesting to note that only three British Sterling area companies are listed on the New York Stock Exchange, of which two are companies in our Group.

During the year our shares were also introduced unofficially to the Brussels Bourse through the facilities afforded by the Banque Lambert in Brussels.

At the beginning of this year I convened informal meetings of shareholders both in London and New York which are the two main centres where the holders of the majority of our shares appear to reside. In view of the gratifying attendance at these meetings I propose again to call informal meetings within the next two or three months.

THE FUTURE

I cannot conclude this Statement without drawing the attention of shareholders to the historic agreements which were concluded last September between the Copperbelt Companies and the European Mine Workers' Union on the subject of African advancement, to which I referred in my Statement last year. This issue has hung over the Copperbelt for years, and it is gratifying to feel that at last the various parties involved have come to grips with the real problem. We hope that the first-fruits of this agreement will be a period of industrial peace on the Copperbelt, and perhaps equally important we feel that the pattern which is being set on the Copperbelt opens the door for a similar pattern to be adopted throughout the Federation of Rhodesia and Nyasaland with its declared policy of partnership. Your Company, and the Group which bears its name, is confronted both with great responsibilities and great opportunities in this young country, and shareholders may rest assured that your Board is fully alive to, and prepared to accept, such responsibilities and opportunities.

MUFULIRA COPPER MINES LIMITED

(Incorporated in Northern Rhodesia)

The following is an abridgment of the Statement, dated October 18, 1955, by the Chairman (Mr Ronald L. Prain, OBE), circulated to the Members:

RESULTS FOR THE YEAR

In spite of a strike during 1955, copper production totalled 83,193 tons, made up as to 47,240 tons of blister and 35,953 tons of cathodes. The average costs of production of all types of copper increased from £114 4s. 5d to £133 7s. 0d. per ton.

The curtailment of production occasioned by the strike accounted for some of the increase in average cost, but the greater part of the increase was due to the increased payments for mineral royalty resulting from the higher selling price of copper and to the cash bonus scheme. The remaining increase was due to the increased cost of power, railways and labour.

The average realisation price of all types of copper for the year was £273 19s. 0d. per ton. The difference between this figure and the cost figure mentioned above resulted in a profit of £11,554,261. The increase in the value of copper stocks brings this profit up to £12,069,354; taxes are estimated to be £4,420,000.

The appropriation to the Replacements Reserve is £1,500,000 and the transfer to General Reserve is £1 million. After making these dispositions there remains a sum of £5,552,105 available for distribution after bringing in the balance of profit of £121,511 from the preceding year.

Last July an interim dividend of 6s. per share, less taxes, was paid and your Directors now recommended a final dividend of 14s. per share, less taxes, making a total distribution of 20s. per share for the year.

MINE POSITION

Ore reserves were increased during the year by 6.7 million tons due to new information from development and drilling between the 1350 ft. and 1600 ft. levels at the western end of the mine and to drilling below the 1600 ft. level.

During the year the Boise shaft came into operation for the first time.

The electrolytic refinery is expected to be completed during the current year. We expect to make our first wirebars some time early in 1956 and thereafter the capacity of this refinery will very nearly match the capacity of the Mufulira enterprise as a whole. In due course we expect to be in a position to produce most commercial shapes of refined copper.

LABOUR POSITION

At the time of writing there are outstanding with the European Union two disputes, the first dealing with leave conditions, on which it has been agreed to go to arbitration, and the second dealing with a demand for a 15 per cent. increase in the basic pay for artisans, which will go to conciliation later in October.

As far as African labour is concerned, since the end of the financial year the Copperbelt companies have introduced a new scale of cash bonus and cost-of-living allowance, the previous allowance being consolidated into basic pay. There remains outstanding a claim by the African Union for an increase of 6s. 8d. per shift for all African employees represented by the Union. This matter has been to conciliation, and will now go to arbitration.

The Chamber of Mines has also offered to the African Union a scheme for re-grouping some employees so that they will now go into a higher group, and therefore enjoy increased remuneration, and furthermore an offer has been made to put all employees on an inclusive wage basis which at present applies only higher groups.

Another important recent development has been the recognition of the Mines African Staff Association by both the mining companies and the African Union.

Mr Prain's remarks on the two major questions of African Advancement and the Copper Price are identical with those contained in the abridgment of his Statement to members of Roan Antelope Copper Mines Limited (printed in a preceding page).

POWER

This time last year we were very concerned at the power position from three aspects, namely, supply of fuel, the provision of transport for fuel, and generating capacity.

During the past 12 months the position has changed considerably. The Federal Government has decided to proceed with the Kariba hydro-electric scheme which is expected to come into operation in 1960. Studies are now being made to see whether the Copperbelt will be able to get by in the year immediately before the commissioning of the Kariba scheme by means of its importations of hydro-electric power from the Congo, which are now expected to begin in the second half of 1956 instead of 1957, and of its own present and planned expansion of thermal generating capacity.

From the short term angle, the year has been more free from worry about fuel supplies than any year since the end of the war. To some extent this is due to an improvement in the rail position and perhaps to a greater extent to the fact that the strike in January and February this year enabled the mines to build up an unprecedented stock of coal. This has since been eaten into somewhat and the position is still not such as to warrant the total cessation of wood-burning. It would be ungenerous, however, not to admit that the position is better than last year, and I should like to pay tribute to the efforts which have been made by the administration and employees of the railways.

MISCELLANEOUS

Your Company has taken a participation in a new Company within this Group, called Rhodesian Selection Trust Exploration Limited, whose purpose will be to examine mining propositions within the Federation of Rhodesia and Nyasaland, but outside of the Copperbelt or of the main concession prospecting areas near the Copperbelt. The Companies owning the latter concessions continued their prospecting programme during the year, the work being carried out on their behalf by Rhodesian Selection Trust Services Limited. These concessions cover an area of 41,500 square miles. One of these Companies, Mwinilunga Mines Limited, announced last month an arrangement made with the New Consolidated Prospecting Company (Pty.) Limited, whereby that Company will carry out mineral prospecting operations over certain parts of the area covered by the exclusive prospecting rights of the Mwinilunga Company. This prospecting work will be spread over a period of four years and there will be a full exchange of technical information between the two Companies during these operations.

DALGETY AND COMPANY

RECORD NET PROFIT

The annual general meeting of Dalgety and Company, Limited, will be held on December 15th in London.

The following is an extract from the circulated Review by the Chairman, Mr D. Abel Smith, MC, for the year to June 30, 1955:

Australia has again enjoyed a bountiful season and, on the whole, seasonal conditions in New Zealand were not unfavourable. Our satisfaction at the continued increases in the size of the Australian and New Zealand wool clips has been tempered by the problems which confront us in providing the handling accommodation required. We are engaged in the construction of new Wool Stores at Brisbane, Newcastle and Christchurch, and have already carried out modernisation at other centres.

PROVISION OF SELLING FACILITIES

I mentioned a year ago that we had formed an associated company to operate in Smithfield Market. Our main object was to be in a position to provide selling facilities for any of our overseas clients who might wish to consign their meat to this country for sale. The response from them has so far been lukewarm, probably because in the past season they were able to sell outright in the countries of origin at highly satisfactory prices. The Smithfield venture has, none-the-less, proved highly successful, owing to the availability of meat from home and Continental sources.

The profit for the year, after providing for all Expenses and Taxation (other than Profits Tax on distribution), amounts to £781,633 as compared with £640,492 for the previous year. Although earnings did not quite reach those of the boom year of 1951, the net result, due to a reduced charge for taxation, is a record for the company. We are recommending a final dividend on the "A" and "B" Ordinary shares of 8½ per cent, which, with the interim dividend paid last May, makes a total distribution of 12 per cent for the year.

THE OUTLOOK

As the prosperity of the company is very dependent upon the prices of primary products, it is difficult to forecast with any accuracy how we are likely to fare during the current year. There does not seem much doubt, firstly, that our capital resources will be subjected to heavy pressure, both on account of our own building programme, and because it has become apparent that our farming and pastoral clients are tending to lean on us to an increasing extent for financial assistance in meeting their working expenses; secondly, that as a result of inflation, especially in Australia, most items of expenditure in the running of our business will be higher, and particularly salaries and wages, which are largely dictated by Arbitration Courts, and thirdly, that we are bound to feel the effect of the further fall in the price of wool, which is likely also to affect the price of sheep.

On the other hand, we have, since the war, been aiming to improve our organisation, to broaden the basis of our operations, and so to spread the overhead over a wider field. We are therefore able to face the future with more confidence than might otherwise be possible and, although it might be prudent to regard some reduction in profits as being likely, I do not think there is any occasion for undue pessimism.

TUBE INVESTMENTS LIMITED

A VIGOROUS RECOVERY IN EARNINGS

NEW RESEARCH FACILITIES

SERVICES TO NUCLEAR ENERGY INDUSTRY

A vigorous recovery in earnings, and details of developments to meet the needs of this new scientific age, were reported by Sir Ivan Stedeford, KBE, Chairman of Tube Investments Limited, in his annual statement circulated with the accounts to stockholders.

Sir Ivan said that the £8,150,000 sought by the recent capital issue was needed to finance the company's expansion of manufacturing, development and research facilities. The present speed and significance of scientific and technical developments had no precedent except in the period known as the Industrial Revolution, and was changing not only the things industry made but the way industry made them and the materials from which they were made. It was in this context that TI's development was taking place. For many years, the company had been able to provide the necessary finance mainly from its own resources, but the gathering speed of development now required turning to stockholders for added capital. He wanted first to touch briefly on this changing scene before he described how TI was combining developments in new fields with those in the conventional lines of business on which the company was founded.

FACING THE NEW AGE

The first line of advance was the development of synthetic materials to replace and supplement natural materials. In this, Britain had long excelled. It was of particular significance to the United Kingdom, which was dependent so much on supplies of materials from overseas. The second, and perhaps most spectacular, advance was the application of atomic energy and by-products of nuclear fission to domestic uses. In this, Britain, in important respects, was probably in the lead. The economic reward of nuclear energy might be hard and costly to win, but it was growing more impressive with every new discovery.

The third line was the development of automatic machines and instruments which made it possible to hand over to a set of mechanical devices many tasks in factories and offices now performed by men and women. There were already a number of automatic factories and, in time, there might be more, but here in the United Kingdom, automatic methods were likely to be applied more widely to particular processes and assembly lines than to entire factories, and the pace of progress, therefore, was found to be uneven. There were, however, factors which might drive us irresistibly towards automatic methods. Even though industry had been operating at full stretch with almost every available pair of hands, we had not produced enough to sustain a moderate increase in home consumption without sacrificing essential exports. This gap might well have to be filled by a greater use of more highly mechanised plant. But we would fail to gain the abounding benefits of the new industrial revolution unless we were ready to adapt our ways of thinking and organisation to it.

It had been the aim, said Sir Ivan, to condition TI to meet the impact of these changes and to derive for the company's employees and customers and stockholders the fullest benefits from them. TI had a long way to go, but the record of plans and activities might suggest that the company had at least

come to grips with each of the three main issues.

TI'S TECHNOLOGICAL RESEARCH

The first essential had been a considerable expansion of scientific and technological research resources. The conversion of Hinxton Hall, Cambridge, to research laboratories was virtually completed, and a team of scientists was already at work under the direction of Dr F. P. Bowden, FRS, of Cambridge University. The construction of additional laboratories was in hand. These included a "hot" laboratory for work on radio-active materials and the study of radioisotopes and tracer techniques. The Radio Research Group, under Dr A. Charlesby, DSc, PhD, formerly of Harwell, was already equipped with an electron accelerator. Hinxton would, it was hoped, make its contribution to the common pool of scientific knowledge, but its primary purpose was to direct TI towards new industrial processes and products.

The second requirement was a centrally directed organisation for working out in what way TI's factories and offices could best profit from scientific and technological advances. The "Technological Department" would develop the practical application of new techniques and materials of potential value to TI, up to the prototype or pilot production stage. Three sections of this Department were already in being. The Irradiated Materials Section, under Dr Charlesby, was concerned with commercial applications in this field. The Plastics Development Section, under Mr J. E. Gordon, BSc, would study the machinery of the plastics industry, exploit the chemical advances of recent years, and streamline production techniques. The Control Engineering Section, under Mr J. F. Coales, MA, would develop the application of automatic operations if TI's factories were economically advantageous. Work was already well under way in each section.

ATOMIC ENERGY DEVELOPMENTS

The formation of an automatic equipment section, Sir Ivan added, did not imply that serious attention had not been given to these principles. There had been a high degree of mechanisation in the £36 million spent on modernisation and expansion since the war. Outstanding here were the two tube mills at Desford and Wednesfield and the new cylinder plant at Chesterfield. These major projects were planned and designed long before the term "automation" hit the headlines, and had been regarded by TI more as a logical, if considerable, extension of mechanisation.

TI was already active—he could say, well-established—in the atomic energy industry. Although not directly engaged in producing atomically-activated plants, the company was playing its traditional part in supplying essential equipment and components. At the Geneva Atomic Energy Exhibition last summer—which was described as a "curtain raiser" to a new industry—the TI stand showed some fifty specialised products, which ranged from tubes in uranium itself, and in niobium, vanadium, tantalum, zirconium and beryllium, to bi-metal tubes, tubes lined with graphite, glass and plastics, and a series of couplings and fittings.

TI had long specialised in the manufacture

of tubes to withstand the ever higher temperatures and pressures and the increasingly corrosive circumstances of modern manufacturing processes. Many of these were immediately suitable for nuclear energy work, but the rarer and more difficult metals called for new methods of fabrication, and these TI developed to a degree which had stimulated the interest of both home and foreign manufacturers of nuclear reactors. TI also built Britain's first mill for rolling uranium.

RECOVERY IN EARNINGS

Preparations for the future, said Sir Ivan, had not diverted attention from immediate tasks, as the results indicated. Although costs continued their upward spiral, and world competition gained a still keener edge, trading profits after depreciation, at approximately £8,500,000, showed a vigorous recovery as compared with the two previous recession years, when relatively they fell from about the same figure to around £6 million. The improvement extended to almost all branches of activity. The rising demand for TI's main products, apparent towards the end of the previous year, gathered a momentum only limited by the availability of steel and labour, and resulted in a record turnover, both in value and volume. A significant factor had been the benefit of the large capital expenditure over recent years.

The sheet mills at the South Wales Aluminium Company had completed its first year of concentrated production, and this, coupled with a revival in demand, had yielded considerable benefit to the Aluminium Division. Output of tubes and extrusions by Reynolds Light Alloys Limited at Redditch also showed a substantial increase, and sales climbed to record figures. The Division trading losses of last year were converted into a profit, and this conversion alone accounted for about £700,000 of the improvement in the Group's overall results for the year. Unfortunately, a shortage of metal developed, and brought about two increases in the price of virgin aluminium and a return to metal allocation for fabricators in the United Kingdom.

CYCLE SALES UP

The Cycle Division had shown an agreeable increase in overseas and home sales, in spite of growing foreign competition, which often called for lower prices in face of rising costs. This was a trend which was likely to continue as indigenous manufacture of cycles overseas increased and Continental and Far Eastern manufacturers strove to break into our traditional markets. Whilst TI saw this as a still sharper spur towards greater manufacturing and selling ingenuity, it was not unaware of the implications of the struggle which lay ahead, and was engaged in constant research and development to improve competitive power and so make secure its dominant stake in this world-wide industry. The imposition of America's latest protective barrier against imported bicycles was a serious obstacle, and the impression remained that we had been penalised because we had been moderately successful.

Renewed import restrictions abroad and hire purchase regulations at home had had their influence, but the Electrical Division, nevertheless, made encouraging progress, particularly in the sale of Creda electric cookers.

The order books of Mersey Cable Works had been restored to health, although earnings were disproportionately low.

STEEL SUPPLY POSITION

The Steel Tube Division regained the ground lost in the recession of the two previous years. This was in part due to a resurgent demand, but largely to the £4 million work of new and additional tube-making plant approaching full production. Events had vindicated the expansionist policy for the Division, but the comparative decline in the rate of return over recent years demonstrated the effects of rising costs in this long period of inflation.

Steel supplies had been just adequate, but the outlook, particularly for alloy tube steels and steel strip, could not be regarded with equanimity. All that could be done was being done. The improved earnings of the Round Oak Steel Works for the past year, coupled with the development plans in hand, indicated a promising future for this company. When the £3 million expansion scheme for the production of tube steel, and to cater for the increasing demand for the company's traditional products was completed, he was confident that the decision to invest in Round Oak would be amply justified.

The decision some years ago to engage in the manufacture of capital goods was yielding encouraging results, the Engineering and General Divisions giving a good account of themselves and demonstrating an ability to expand their business. During the year, TI acquired the Bedford Plough and Engineering Company, Limited, and its premises were already in use for the extension of activities of W. H. A. Robertson & Company Limited of Bedford. A significant feature had been the development by Metal Sections Limited of a new prefabricated buildings technique which, in terms of design, cost and speed of erection, had an outstanding appeal, whether for large or small buildings.

NEW COMPANY IN INDIA

Sir Ivan said that he had visited Canada, India, South Africa and Rhodesia during the year and had been satisfied with the general progress of associate and subsidiary companies; reassuring reports had also been received from Australia and Argentina. A new company Tube Products of India, Limited, with a capital of Rupees 20 million (£1,500,000) had been formed in association with Messrs Murugappa & Sons, of Madras, for the manufacture of precision and mechanical tubes and manipulated components. A factory site had already been acquired at Avadi in the State of Madras.

Despite world competition and the setbacks caused by the rail and dock strikes, direct exports showed an improvement over the previous year, continued Sir Ivan. America, from being seventh on the list of markets three years ago, had moved up to first place. TI supplied materials and components to manufacturers who made Britain's exports in more finished forms, and so, when the national need was for more exports carrying a maximum of labour content, care had to be taken, in times of limited supplies, to strike a sensible balance between home and foreign customers. This necessity had resulted in indirect exports overtaking direct. On this basis, about 50 per cent of TI's total production last year had reached, or was destined for, overseas markets.

Concluding, Sir Ivan said that the struggle between nations for the initiative in design, quality and price was likely to become fiercer as the pace of technological progress quickened. The past few years had taught us that British industry to gain its share of world markets would have to fight every inch of the way. This competition was the greatest challenge which awaited us.

RHODESIAN ANGLO AMERICAN LIMITED

(Incorporated in Northern Rhodesia)

CONTRIBUTION OF PRIVATE ENTERPRISE TO FEDERAL DEVELOPMENT

SIR ERNEST OPPENHEIMER ON EXPANDING INTERESTS

The twenty-sixth annual general meeting of members will be held in Nkana, Northern Rhodesia, on Wednesday, December 14, 1955. The following is an extract from the statement by the chairman, Sir Ernest Oppenheimer, which has been circulated to stockholders with the annual report and accounts for the year ended June 30, 1955:

It has not previously been my custom as Chairman to issue a Statement, as a full summary of the operations of the copper mining companies is contained in the annual report.

While the shares in these companies continue to be our main investment, we have, particularly since the federation of Rhodesia and Nyasaland, expanded our interests and as we intend playing an increasingly active part in the development of the Federation, I believe that stockholders will now welcome an annual statement.

I do not think that many stockholders appreciate the wide extent to which private enterprise has contributed to the general development of the Rhodesias. The copper mining companies operating in Northern Rhodesia had to establish their own towns with communal and domestic amenities. They had to provide their own water schemes and their own power stations and many other essential services which, in a developed country, would have been the obligation of the Government or Local Authorities.

HEAVY CAPITAL EXPENDITURE

The mining companies and their ancillary units, for which we and our parent company, Anglo American Corporation of South Africa Limited, are responsible in Northern Rhodesia, not only found the capital funds of over £35 million required to open up the mines and to provide the necessary services, but have since then retained about £45 million from profits for the expansion of the industry and the development of services and amenities for their employees.

Our copper mining companies and those of the Rhodesian Selection Trust Group formed the Rhodesia Congo Border Power Corporation Limited to take over the distribution of electric power on the Copperbelt. The total cost of the installations required to provide power is to date £16 million and more has to be expended to complete the work in hand.

The Rhodesia Broken Hill Development Company has spent £1,300,000 on its Mulungushi and Lunsemfwa hydro-electric schemes and now, in conjunction with the Northern Rhodesian Government and the Broken Hill Municipality, has embarked on an extension of the hydro-electric power project on the Lunsemfwa River at an estimated cost of £1 million. This will, it is hoped, provide the power required at Broken Hill until power from Kariba becomes available to meet future requirements.

In Southern Rhodesia, the Wankie Colliery Company, on which the copper mines in Northern Rhodesia, the tobacco and other industries in Southern Rhodesia, and the railways and power stations are dependent for their coal supplies, has been committed

to capital expenditure exceeding £6 million. The company now has a productive capacity of some 4,500,000 tons of coal per annum and is expected to be able to produce at the rate of 5 million tons early in 1956.

The copper mining companies have with the mines of the Rhodesian Selection Trust Group established The Copperbelt Technical Foundation with the object of operating a series of technical institutions in the leading towns at an initial cost of £400,000.

KARIBA HYDRO-ELECTRIC SCHEME

The decision of the Federal Government to proceed with the Kariba Hydro-Electric Power Scheme on the Zambesi River is very important not only for the mining industry but for all consumers of power in the country. The project will provide the power requirements of the Federation for many years to come and cheap power will attract new industrial development and assist existing enterprises. The expansion will, however, create a great strain on communications within the country, and it is of the utmost importance that the Rhodesia Railways should be equipped immediately to overcome the present shortage of rolling stock and staff in order to meet the increased traffic as it eventuates.

We have indicated our willingness to assist in providing some of the funds required for the Kariba project and we are willing to help in the expansion of communications and other public works not only as an essential protection for our mining companies, but as a long-term investment in the country.

To this end we, jointly with Anglo American Corporation of South Africa Limited, formed Anglo American Rhodesian Development Corporation Limited in June, 1955. This Development Corporation has already raised a 15-year sterling loan of £2½ million in Holland, and has taken over the loan of £1 million made by us to the Rhodesia Railways in 1954. It has recently undertaken to provide, in the next two years, £5 million of rolling stock, including bogies and tank cars, which the Rhodesia Railways will hire from the corporation.

Geological prospecting in the Federation has been accelerated. Through our investment in Anglo American Rhodesian Mineral Exploration Limited, which is operating in Southern Rhodesia and Nyasaland, and in Chartered Exploration Limited, which will conduct an intensive search for minerals over a very large part of Northern Rhodesia, we will participate in any discoveries made by these companies.

AFRICAN ADVANCEMENT

Members will recall the disappointments and setbacks that characterised almost all negotiations on this complex subject for many years. However, with patience and good will prevailing, an agreement was signed on July 30, 1955, between the copper mining companies for which we are responsible and The Northern Rhodesia Mine Workers' Union whereby a measure of advancement for African workers on our

mines was agreed upon. It was also agreed that further measures of advancement would be considered by both parties later.

This agreement was followed by similar agreements concluded by the mining companies of the Rhodesian Selection Trust Group and, finally, by one between the Northern Rhodesia Chamber of Mines and the Mine Workers' Union embracing the copper mining industry as a whole.

Thus, another important chapter in industrial relations in this part of the world has been brought to a successful conclusion. There seems every hope that a permanent solution will be found which will be fair, just and acceptable to all concerned.

The progress in the two years since the Federation of Rhodesia and Nyasaland came into being in September, 1953, has strengthened the confidence we have always had in the territories which now form this new State. The benefits that we expected to flow from the integration of the complementary economies of Southern Rhodesia, Northern Rhodesia and Nyasaland are emerging, and the hopes that we held for the future of the Federation are being realised.

The Federation offers many opportunities for mining, industrial, commercial and agricultural development. It offers to men and women the opportunities of a new country with a young and healthy approach to its problems. It requires much in the way of capital and technical skills, and, in those fields which are within our capacity, we will continue to play our full part.

Copies of the annual report and accounts may be obtained from the transfer offices at Kitwe; 44, Main Street, Johannesburg; and 11, Old Jewry, London, E.C.2.

IND COOPE & ALLSOPP LIMITED

INCREASED SALES OF DOUBLE DIAMOND

The forty-third annual general meeting of Ind Coope & Allsopp, Limited, will be held on December 15th in London.

The following is an extract from the circulated statement of the Chairman, Mr Edward Thompson, MBE, TD:

This company has been granted the Royal Warrant of Appointment as Brewers to Her Majesty, and Graham's Golden Lager Ltd. as Purveyors of Lager Beer.

Home trade turnover at some 10 per cent above last year was the highest yet achieved. Overall, while draught beer sales remained steady, very substantially increased sales were recorded in Double Diamond and John Bull, a dark beer of similar quality which we recently introduced and which has had an exceptionally favourable reception.

As to the accounts, group trading profit and investment income has increased from £2,782,250 to £3,223,347. Group trade investments, up by £272,495, include loans by the parent company to Slaters and Bodega, and the Hambridge Brewery Co., and by our subsidiary in East Africa.

To assess the future trend of trading profits is as difficult as ever in a period complicated by increasing costs of production and other repercussions of inflation, increasing competitors for consumer purchasing power, and the vagaries of our weather. Having regard to these factors and the increased Distributed Profits Tax, your Board decided stockholders' interests would be better served by maintaining strong liquid resources and a more substantial dividend cover for the Ordinary Stock.

TRINIDAD PETROLEUM DEVELOPMENT COMPANY LIMITED

CHAIRMAN'S ADDRESS

The Annual General Meeting of Trinidad Petroleum Development Company Limited was held on November 17th in London.

Sir Leslie Hollis, KCB, KBE (the chairman), presided, and in the course of his speech said:

As you will observe from the results of the past year's working, production and profits have both shown reasonable increases. Before dealing in detail with the figures relating to our past year's operations, I would like to give you some indication of the Board's general views on the present state of the Company's affairs and its prospects, and what plans your Board has in mind for the Company's development and future operations.

BRITISH CONTROLLED OILFIELDS LIMITED (IN LIQUIDATION)

During the year which has passed, we were, as a Board, conscious of the fact that our principal shareholder, the Liquidator of British Controlled Oilfields Limited, was seeking a buyer for his holding of 50 per cent of the ordinary capital of this Company. We have been informed by the Liquidator of British Controlled Oilfields Limited that although he has had negotiations with a view to the sale of his holding of Trinidad Petroleum Development Company Limited shares, these have not so far led to the receipt of an acceptable offer. Further, I understand that a scheme for the re-organisation of BCO is now under consideration for submission to BCO shareholders and to the Canadian Courts in due course.

EXPERTS' REPORT TO LIQUIDATOR OF BRITISH CONTROLLED OILFIELDS LIMITED

During the course of the year, American consulting engineers, Messrs Meyer & Achtschin, appointed by the Liquidator, inspected (with your Board's approval) the Company's properties and made a report, a copy of which was supplied to us.

The most important matter dealt with in Messrs Meyer & Achtschin's report was their estimate of the Company's proved reserves. On this subject I would say that the estimate given by Messrs Meyer & Achtschin as to the volume of our drilled reserves was substantially identical with the estimate given to your Board by the Company's experts. The Company's estimate of its additional recoverable reserves was, however, much larger than that of Meyer & Achtschin, and developments which have occurred since the date of the report establish that the views of the Company's experts are more realistic. I mention this point in support of the reference in the circular to shareholders of December 15th last as to the technical nature of the report in question and in support of the view of your Board that publication of this report or any part of it, unless accompanied by a detailed appreciation of the position by your Company's experts, would not serve the interests of the shareholders. I can only add that I am advised that the Company's production policy in relation to its reserves is consistent with good oil fields practice.

REMOVAL OF THE DIRECTION OF THE COMPANY FROM THE UNITED KINGDOM TO TRINIDAD

The activities of this Company are centred on the Island of Trinidad and the Board has

had under consideration the desirability of removing from London to Trinidad the Company's seat of administration. As you know, any such move would require the consent of HM Government. The advantages of a move to Trinidad include very considerable savings in Profits Tax and Income Tax, which I am advised would, on the basis of the Company's present earnings and dividends, be in the order of £100,000 per annum. There are other arguments which support the desirability of such a move, including considerations of a political nature which are very much in the mind of the Colonial Authorities in Trinidad, but there are, of course, disadvantages attached to such a removal. All these matters are being studied by your Board most carefully at the present time.

PRODUCTION

During the past year production of crude oil amounted to 3,434,239 barrels, an increase of 114,298 barrels over the preceding year. At the present moment our production is running at a rate of over 4 million barrels per annum. This substantial increase is due to a large extent to the results of a vigorous policy undertaken during the year under review whereby old wells have been worked over and either brought back into production in cases where they were closed down, or brought into increased production in cases where production had fallen to a low level. Further, we have been fortunate to bring into production one or two excellent wells in our Palo Seco area.

DEEP DRILLING

Under the advice of Captain Comins and the experts employed by the Company, we intend to review the policy of deep drilling hitherto undertaken by the Company. In arriving at this decision we have not ignored the necessity of proving up further reserves of production and in this respect we consider that we are likely to make far more progress by exploratory drilling to more moderate depths with consequent saving in the cost of the exploratory drilling programme. The knowledge obtained from deep drilling is always of value to other Companies operating in the area, and we consider that during the last four years we have done at least our fair share, taking all factors into consideration.

ACCOUNTS

Our profit of £871,730, a record in the history of the Company, shows an increase for the year of £98,319.

We have transferred to General Reserve £150,000 against £75,000 last year, and in addition our General Reserve has been increased by a further £200,000, being the amount considered by your Company's auditors as surplus to requirements for future taxation and, therefore, transferred from that specific reserve. Thus our General Reserve now stands at £1,100,000 as against £750,000 in 1954.

It is satisfactory to note that Current Assets were £903,000 in excess of Current Liabilities as compared with an excess of £760,000 at the end of the previous year.

LABOUR

Relations with labour were satisfactory throughout the year. On November 20, 1954,

the Oilfield Workers' Trade Union gave three months' notice to terminate the existing Wage Agreement, and on January 25, 1955, submitted a list of proposals for a new Wage Agreement which included a 25 per cent general increase for all employees. The Trinidad Government appointed a Board of Inquiry to enquire into the dispute, and recommended a general increase of 10 per cent and advised the parties to negotiate other outstanding points. A new Wage Agreement was signed on August 5, 1955, embodying the 10 per cent increase and regulating wages for a minimum period of two years and three months from that date. The additional cost to this Company of the new wage rates will be some £60,000 a year.

I will not venture to forecast the future. In an industry such as ours this would be a most hazardous undertaking. So many factors are completely outside our control, for example world prices for crude oil products, the dollar/sterling exchange, and, of course, to a considerable extent the volume of our production. However, the affairs of this Company are in good order, and in the absence of any adverse extraneous circumstances, I feel we can look forward to the future with reasonable confidence.

The report and accounts were adopted.

LEEDS PERMANENT BUILDING SOCIETY

YEAR OF OUTSTANDING PROGRESS

The one hundred and seventh Annual General Meeting of the Leeds Permanent Building Society was held in Leeds on November 23, 1955.

Sir Charles Davies (the President), in the course of his speech, said:

To those who share the responsibilities of control, there is great pride and satisfaction in presenting accounts which indicate prudent management, and show the result of another year's successful work. We can again report the achievement of several record figures.

We are proud to record an increase in the total amount invested in the Society in shares and deposits, and to have proof of the fact that the Society has continued to maintain the confidence of the public as an investment medium. In recent years, the public has become more Building Society minded, and investors and savers have become more attracted than ever to Building Societies as a means of sound investment, for the reasons that have been so frequently stressed, and which are so obvious.

The Accounts show that we have received during the year under review a total of £20,063,000 from Investors, in the Share and Deposit accounts, compared with the total into both accounts during the previous year 1954 of £18,663,000, an increase of nearly £1½ million in the year. This constitutes a record in the Society's history.

Notwithstanding rather heavy withdrawals, there remains an increase in the total amount invested in the Society in shares and deposits of £9,277,000.

The repayments of capital and interest from borrowers have followed a normal pattern, and, with the substantial receipts from investors after deduction of withdrawals, we have been able to advance during the year on new mortgages the sum of £17,824,000, which is the highest total ever advanced in any year.

The total assets of the Society at September 30th stood at £95,025,644, being an increase on the previous year of £9,723,010. We still retain our position as the fifth largest Society in the Country.

May I mention a fact which gives the Directors considerable satisfaction, namely that, of the very large sum advanced on mortgage during the year, 99 per cent of the amount was advanced in respect of dwellinghouses for owner occupation, and 1 per cent only was advanced on other types of security.

Our Management expenses are extremely low, judged by any standard, and will, I think, be found to be below the average of all Societies. If you take into account the growth of the Society's business during the year, the Management expenses, on a percentage basis, are less than in 1954, and represent .48 per cent of the total assets, as compared with .5 per cent the previous year. In terms of money, it means 9s. 8d. in every £100.

From the surplus on the year's working, available for appropriation, we have added £20,000 to Investment Reserve, £25,000 to the Staff Provident Fund, £300,000 to General Reserve, carrying forward £138,710.

We have now reached a landmark in recording our Reserves, which are now over five millions (£5,012,819) equivalent to 5.27 per cent of our total assets, 5.63 per cent of the total amount of share and deposit accounts, and 6.35 per cent of the total mortgage loans outstanding.

COCHRAN & COMPANY, ANNAN, LIMITED

WORLD-WIDE REPUTATION OF PRODUCTS

MR ROBERT ADEANE ON CONTINUED EXPANSION

The fifty-third annual general meeting of Cochran & Company, Annan, Limited (Engineers and Boilermakers), was held on November 22nd at 117 Old Broad Street, London, E.C.

Mr Robert P. W. Adeane (the Chairman), who presided, said: Ladies and gentlemen, this is the fifty-third Annual General Meeting of your Company and it is seventy-seven years since the Cochran Boiler was invented by Edward Crompton, the father of our late Chairman. Steady progress has been made since those days—progress based on high standards of production. Our products are now established and highly prized in almost every country of the world and in the ships of many seafaring nations.

The high price of combustible fuels and the urgent need to arrest the smoke menace has increased the demand for our standard Cochran Boilers, as well as for our larger capacity Economic Sinuffo Boilers and waste heat Boilers. I see no reason why the demand should not continue to increase. We have fully eighteen months' work on our books and orders continue to come in at a steady rate. It is our aim to reduce our backlog of orders and so be in a position to quote for nearer delivery dates.

Everything that can be done by way of expansion and modernisation within the limits of skilled labour available is being done to this end, and I wish to thank our customers for their forbearance when delays in delivery have been inevitable and to assure them that we shall press ahead with doing all in our power to speed up deliveries.

THE YEAR'S RESULTS

Our Trading Profit was £284,700 and exceeded last year's record total by £33,000. The net profit was £130,600, as against

The liquidity of the Leeds Permanent in Trustee securities and cash has been maintained deliberately at a high figure, and it will stand the test of any comparison. It amounts to 16.44 per cent of the total assets, and 17.56 per cent of the total liability to shareholders and depositors.

In the past 12 months, important changes in monetary policy have taken place. In September, in common with other Societies, we increased our rate to paid up Shareholders to 3 per cent, and to depositors to 2½ per cent, with Income Tax paid in each case.

There is no doubt that the economic conditions of recent months have had an effect upon the amount available to Building Societies for lending, and it has been difficult to satisfy the unprecedented demand for mortgage loans, which still continues.

Your Directors are very alive to all the current factors as they may affect the Society's operations, and they are determined to maintain a high degree of liquidity, so that all investors can look to this Society with confidence in the knowledge that their moneys, whilst earning a rate of interest, taking into account the payment of income tax, which compares more than favourably with any other form of saving or investment, are always available to them on demand, or at the shortest possible notice.

£97,000—of this amount Ruths Accumulators (Cochran Limited) contributed £4,278. We recommend to you a final dividend of 5½ per cent FOT on the Ordinary Capital as increased last year, which, together with the 3 per cent FOT already paid, amounts to 8½ per cent FOT; taking £34,000 for the year after allocation of £82,500 to General Reserve and £10,000 to Retirement Benefit Reserve. The Carry Forward at £29,674 is increased by about £3,000. All of the considerable expansion done since the war has been paid for out of retained earnings and the Company's cash position continues to be satisfactory.

In order to speed up deliveries an extension to the heavy Boiler shop was completed during the year under review, and since the end of the year a new shop for the 1,500 tons press, to enable a general re-arrangement of tools to be made, has been put in hand and is well advanced. Further purchases of machine tools have been made and the tool replacement programme has been brought right up to date.

CURRENT YEAR'S PROSPECTS

Before concluding, you will want me to say something about prospects for the current year. In common with most modern industries, we are finding competition in export markets much keener, and to meet this we are increasing the number of journeys made by our Directors and senior members of the staff to our overseas agents. In spite of the competition I look forward with confidence to increased expansion and continued satisfactory trading.

Finally, I wish to thank all those who, by the excellence of their work, have made such good results possible, and to express the deep regret of myself and my colleagues on the recent death of Mr E. A. Rex, our Assistant General Manager at Newbie, who for twenty-five years past gave loyal and outstanding service to the Company.

The Chairman then moved the resolution for the adoption of the report and accounts and the payment of a final Ordinary dividend of 5½ per cent, free of income tax, making 8½ per cent, free of tax, for the year.

The motion was seconded by Mr R. R. Stokes (Managing Director) and carried unanimously.

WANKIE COLLIERY COMPANY, LIMITED

(Incorporated in Southern Rhodesia)

LARGE INCREASE IN SALES

The thirty-second annual general meeting of Wankie Colliery Company Limited will be held in Bulawayo on Monday, December 12th.

The following is from the statement by the Chairman, Mr T. Coulter, which has been circulated with the annual report and accounts for the year ended August 31, 1955:

ACCOUNTS

The Profit for the year after providing for depreciation, Debenture Interest, Debenture Trustees' fees, and Directors' emoluments, but before taxation, amounted to £1,084,012 as compared with £563,339 for the previous year, being an improvement of £520,673.

Taxation absorbed £260,000 and a sum of £165,000 was transferred to Taxation Equalisation Reserve. In accordance with the provisions of the Coal Price Agreement, an amount of £250,000 was transferred to General Reserve which now stands at £735,000.

Dividend No. 61 of 4½d. per share was paid in May, 1955, and the Directors have declared a further Dividend No. 62 of 6d. per share which will be paid on or about December 8, 1955, to shareholders registered at the close of business on November 2, 1955. The total distribution for the year of £386,094 represents 10½d. per share and compares with 9d. per share paid last year.

Capital Expenditure on fixed assets during the year, less sales, amounted to £1,724,115 and after making allowance for amortisation of coal mining rights and depreciation, the Balance Sheet shows Fixed Assets at August 31, 1955, at £7,454,856.

Current Assets (excluding Stocks and Stores) at £2,487,183 as against Current Liabilities of £940,839 indicate a surplus of £1,546,344 represented by Federal Government Stocks and short term loans and deposits. This surplus will be required to finance the balance of the large capital programme which we embarked upon two years ago.

SALES

The following is a summary of sales of coal and coke for the year ended August 31, 1955, compared with the previous two years.

	1953	1954	1955
Tons			
Coal	2,781,023	2,732,957	3,414,719
Coke	158,821	154,617	220,966

It is gratifying to note that coal sales for the year increased by 681,762 tons compared with the previous year and more than offset the temporary setback that occurred in 1954: coke sales also showed an increase of 66,349 tons.

OUTPUT POSITION

Our development programme for coal production is well ahead of schedule, and the present capacity from the three collieries is already of the order of 4,500,000 sales tons of coal per annum, which is some 900,000 tons ahead of the existing coal-carrying capacity of the Rhodesia Railways. We have no doubts about honouring the guarantee we gave to the Government of Southern Rhodesia in 1953 that our output capacity would be raised to not less than 5,000,000 tons a year by the end of 1956. Our relations with the Railway Administration are close and cordial, and, while we acknowledge the improvement in the coal-carrying capacity during the last twelve months, there are still

many railway problems to be overcome before we shall feel assured that all the coal we can produce can be transported and the demands of our consumers satisfied.

PRICE OF COAL

In expectation of an improvement in the coal-carrying capacity of Rhodesia Railways during the current year, and the consequential improved efficiency which is so dependent thereon, we are reducing the average selling price for the current year by 5d. per ton to 18s. 10d. per ton at pitmouth.

During the year under review, satisfactory progress has been made on the programme of development and reconstruction, and the next twelve months should see this scheme virtually completed. Two years ago it was estimated that the cost would be in the neighbourhood of £3,300,000. It is now more likely to approximate £6 million, but the additional funds can be found from our own resources and further capital issues are unlikely.

Copies of the annual report and accounts may be obtained from the London office of the company, 11 Old Jewry, E.C.2.

HAROLD WESLEY LIMITED

(Manufacturers of Paper Products)

HIGHLY COMPETITIVE TRADING CONDITIONS

The ninth annual general meeting of Harold Wesley Limited was held on November 17th in London, Mr Percy Day-Winter (chairman and managing director) presiding.

The following is an extract from his circulated statement for the year ended June 30, 1955:

During the period prices of all raw materials increased, together with wages and other services, and due to highly competitive trading conditions it has not been possible to recover fully the additional costs and our profit margin has been reduced.

The Statement issued with our Interim Dividend stated that we were taking steps to remedy this position, and in this direction a new Plastic Section has been created, which it is confidently expected will enable our sales to be increased and have a beneficial effect on our results. The creation of this new department has meant additional capital expenditure for the necessary machinery and stocks of raw material.

The increase in Freehold Land and Buildings includes the cost of an addition to our Factory at Burton-on-Trent, with an area of 10,000 sq. feet. This is now completed and in use.

The increase in Plant, etc., has been due not only to entirely new Plant for the Plastic Department, but also to your Directors' policy of bringing machinery up to date, in some cases by replacement, and in others by the addition of new machines of greater efficiency and output.

The decreased Net Profit resulting in a considerable decrease in the amount required for taxation, carries, as its consequence, a decrease in dividend, which is being paid on a conservative basis, resulting in a substantial increase in the amount to be carried forward.

The Company's Subsidiary, Wesley & Clark Engineering Company Limited, made a profit this year, as against a small loss last year.

The report was adopted and the final dividend of 8 per cent, making 14 per cent for the year, was approved.

HOSCOTE RUBBER ESTATES, LIMITED

HIGHER PROFIT

The twenty-third annual general meeting of the Hoscode Rubber Estates Limited will be held on December 19th in London.

The following is an extract from the circulated Address of the Chairman, Mr H. B. Egmont Hake.

The profit before taxation at £54,313 is £22,552 higher than the previous year despite a fall of £15,688 in our receipts from the replanting cess fund. Last year those receipts included £14,508 relating to the years 1951 and 1952 which, of course, were non-recurring. Similarly there were then tax credits of £13,995 and £9,882 which, as I told you, has resulted from the final agreement of all our postwar assessments and of tax liabilities on war damage receipts to date. Lacking this year those abnormal credits (which last year assisted in maintaining the dividend at 12½ per cent) the profit after taxation is £32,876 or £4,261 more than twelve months ago, whilst the sum available for reserves and distribution, including the amount brought forward, is reduced from £57,635 to £53,442.

We have transferred £13,834 to Development Reserve, which is already credited with a capital profit of £1,166 made during the year, and now stands at £100,000. An allocation of £5,546 to Reserve for Replacement of Planted Areas restores the balance to £60,000 after charging the year's replanting expenditure; and we recommend a dividend of 17½ per cent. The Balance Sheet shows net current assets of £111,963 after reserving £23,250 for future taxation and providing for the proposed dividend.

TRINIDAD LEASEHOLDS

MR SIMON J. WOODS REVIEW

The Annual General Meeting of Trinidad Leaseholds Limited will be held in London on December 15, 1955. The following is extracted from the Chairman's statement for the year ended June 30, 1955:

The intensive competition and other factors that I have previously mentioned continued to depress our returns from oil and freight; also, wages and other charges have again risen. On the other hand, the burden of taxation was not so onerous.

A further increase in our Trinidad crude oil production was more than offset by an improvement in proven reserves.

The net profit of the group for the year, after providing for all charges, including depreciation and taxation, was £2,312,682 as against £1,851,629, the increase having arisen largely because of a lower charge for taxation.

Premium gasoline production for the United Kingdom, comprising "REGENT T.T." and "REGENT BENZOLE MIXTURE," was further increased to meet the demand for these high grade products.

Regent Oil Company Ltd., the marketing organisation through which our products are sold in the United Kingdom, has had to contend with some of the fiercest competition I have known in the oil business. Notwithstanding, I am glad to say that the motorist has remained loyal to Regent Oil Company's premium brands of motor spirit—"REGENT T.T." and "REGENT BENZOLE MIXTURE"—and thus has recognised our aim to provide products of the highest quality coupled with first-class service to the customer. As a result Regent Oil Company ended the year in an even stronger market position than before.

RHOKANA CORPORATION LIMITED

(Incorporated in Northern Rhodesia)

RECORD NET PROFIT EXCEEDS £10 MILLION

SIR ERNEST OPPENHEIMER ON AFRICAN ADVANCEMENT

The thirty-third annual general meeting of members will be held in Nkana, Northern Rhodesia, on Wednesday, December 14, 1955. The following is an extract from the review by the chairman, Sir Ernest Oppenheimer, which has been circulated to stockholders with the annual report and accounts for the year ended June 30, 1955:

The total net profit for the past year, at £10,020,000, constitutes a record for the Company, and is £540,000 in excess of the profit for the previous financial year on a comparable basis. This is a gratifying result, more particularly as production during the year was adversely affected by the strike of African employees during the first quarter of 1955. The fact that the profit of £6,190,000 arising from the Company's mining operations was only £100,000 less than last year is due, to a considerable extent, to the improvement in the price of copper and to our ability to maintain limited production during the strike period with the loyal co-operation of all European and certain African employees who remained at work throughout.

A small reduction of profit accruing from our mining operations was more than offset by an increase of £640,000 in our investment income, the dividends received from both Nchanga Consolidated Copper Mines Limited and Mufulira Copper Mines Limited being higher than in any previous year.

The Company's other major investment is in Bancroft Mines Limited. In January of this year the Board of that Company announced its decision to develop and equip the mine for an eventual production rate of 85,600 long tons of copper per annum, which is exactly double the tonnage originally contemplated. It is expected that the mine will come into production in 1957 and that the output will gradually be stepped up to 85,600 tons by 1960.

RESPONSIBILITY AND INTEGRITY—KEYNOTE OF AFRICAN ADVANCEMENT

The developments which have taken place recently in regard to African advancement are all the more satisfying to me in that they were achieved so soon after the strike of

African employees, which was regrettable not only in its effect upon the Company, but in that it revealed that the African Trade Union leaders had not yet appreciated to the full the measure of responsibility that is placed upon them by virtue of their office. The keynote to African advancement is responsibility and integrity and, now that the first steps have been taken, the African Mine-workers' Union must prove that they are worthy of the responsibility placed upon them. They must show that they have the ability and willingness to consolidate what has been made possible by the co-operation with the Companies of the European employees, and must take full advantage of the training schemes which are available to them.

I wish to take this opportunity to pay a tribute to both the European employee organisations—The Northern Rhodesia Mine Workers' Union and The Northern Rhodesia Mine Officials and Salaried Staff Association—for their considerable foresight in this matter. Those of the employees represented by the Salaried Staff Association are not affected immediately by the agreement to transfer a specified number of jobs from Europeans to Africans, but their readiness to entertain the principles thereby established should be given full recognition. The European Union's decision to co-operate with the Companies in the matter of African advancement is an important event and I regard the lengthy period of these negotiations as time well spent, as the considerations were carefully weighed before this important decision was taken. The question of African advancement is of vital importance. Good employee relationship is fundamental to the industry's future, and its attainment implies continuing and wholehearted collaboration between the employees and the Companies in the approach to a problem which has to be faced, but which allows of no easy nor rapid solution.

The coal stocks which were accumulated during the strike have enabled the Company to make up any shortfalls in coal supplies during the winter but, when this review was prepared, these stocks were still diminishing, and unless the Rhodesia Railways can transport, during the summer months, more than the normal monthly requirements of the copper mines so that the stock can be

replenished, operations will be seriously handicapped. Although we had hoped to discontinue wood-burning, it is now probable that this will have to be continued for some time to come. The position may be eased when power supplies from the Belgian Congo come through in 1956, but the improvement can only be temporary, as the Copperbelt's power requirements will continue to increase. Urgent steps must be taken to increase the carrying capacity of the railways.

I therefore welcome the formation by Anglo American Corporation of South Africa Limited and Rhodesian Anglo American Limited of Anglo American Rhodesian Development Corporation Limited, which Company has recently undertaken to assist the railways by purchasing £5 million of trucks which the railways will hire. It is also essential that power should be available from the Kariba project as soon as possible and we shall endeavour to play our part in assisting to finance this great project.

CONFIDENCE IN FIRM DEMAND FOR COPPER

It can be accepted that the substantial increase in the price of copper between June, 1954, and September, 1955, amounting to nearly £150 per ton, was, to a considerable degree, the direct consequence of strikes on the mines in Chile, the United States, and in Northern Rhodesia, and the recent recession from the peak of just over £400 per ton was therefore to be expected. I am confident that a firm demand for copper will continue in the future and that an increased world production can readily be absorbed. It must, of course, be expected that we should have to face competition from substitutes, especially aluminium, but this competition is intensified by the overall shortage of copper. It is satisfactory that additional tonnages of copper will shortly be available from the Bancroft and Chibuluma Mines.

I remain completely confident that the copper mining industry will continue to play a major part in promoting the development and well-being of the Federation of Rhodesia and Nyasaland. It will continue to offer a high standard of living to an increasing number of employees and to provide an important market for Rhodesian products, while its direct contribution to the revenues of the State is of outstanding importance. Moreover, it is our policy to assist financially and in other ways with the general development of the Federation so as to help in building up this new country on a sound basis socially and economically.

Copies of the annual report and accounts may be obtained from the Head Office, Kitwe, or from the transfer offices at 44 Main Street, Johannesburg, and 11 Old Jewry, London, E.C.2.

THE CUNARD STEAM-SHIP COMPANY LIMITED

FIVE PER CENT CUMULATIVE PREFERENCE STOCK
SIX PER CENT CUMULATIVE PREFERENCE STOCK
NOTICE IS HEREBY GIVEN that the Transfer Books in respect of the above Stocks will be closed from December 3 to 6, 1955, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending December 31, 1955, to be paid on and after January 2, 1956.
By Order of the Board,
J. C. TOMLINSON, Secretary.
November 24, 1955.
Offices: Cunard Building, Liverpool.

UNIVERSITY OF LONDON.—A course of two lectures on "Demand Analysis" will be given by Professor H. Wold (Uppsala) at 5 p.m. on December 6th and 8th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.
ADMISSION FREE, WITHOUT TICKET. James Henderson, Academic Registrar.

TAILOR-MADE! The new flat 10's cartons of Grosvenor Tipped cigarettes at 1s. 10d. are ideal for handbags and dress pockets.

AUTOHALL SELF-DRIVE CARS offer their new fleet of over 200 1955 cars to promote your business. Competitive rates, special contract and long-term offers made for continental touring. Re-purchase scheme and self-drive package tours. All arrangements made for continental touring. Write for full particulars and colour brochures. Autohall, Dept. 2, 302-6 King Street, Hammersmith, W.6. Riverside 2881. Cable: Autohall, London.

WISE INVESTMENT follows wise reading. The Investors' Chronicle is the best informed and widest read financial weekly. For nearly 100 years it has been giving sound advice to investors. Two free issues from 30 I.C. House, 11 Grocers' Hall Court, London, E.C.2.

UNIVERSITY OF LONDON.—A lecture on "Economics of Clean Air" will be given by Sir Hugh Beaver at 5.30 p.m. on December 1st at University of London, Senate House, W.C.1.
ADMISSION FREE, WITHOUT TICKET. James Henderson, Academic Registrar.

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.

"TRAINING FOR MANAGEMENT." Pitman Home Study for all Management and Secretarial Examinations; also Hospital Administration. Personal tuition. Details of courses from Pitman Correspondence College, 34 Pitman House, Godalming, Surrey.

WORDS IN THE NEWS! SQUEEZE: v.t., to crush, press hard, compress; to grasp tightly; to embrace; to force by pressing; to effect, render, or put by pressing; to crush the juice or liquid from; to force to discard winning cards; to deceive, extort from; to take a rubbing of; v.t., to press; to crowd; to crush; to force a way; to yield to pressure; n., act of squeezing; pressure; a crowded assembly; an embrace; a close grasp; a portion withheld and appropriated, as by an Oriental official; a rubbing; a few drops got by squeezing. You'll find it in Chambers's Dictionary along with 150,000 other references. From all bookellers, 20s.

CARNATIONS KEEP YOU YOUNG.—Plants in your greenhouse are of endless interest every day of the year. Flowers in your home or office give atmosphere. Collection of 12 plants, £7 10s. Collection of 25 plants, £14. Carriage paid. 6-inch pots, running to bud.—Dept. P.F.2, Allwood Bros., Ltd., Carnation Special, Haywards Heath, Sussex.

EXPERT POSTAL TUITION
For Examinations—B.Sc. Econ., LL.B. and other external London University Degree 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.

UGANDA PROTECTORATE

A vacancy exists for an Economic Adviser. This officer will be a member of the staff of the Ministry of Finance and will be required to act as Secretary to the Development Council and generally to supervise economic research and provide economic advice to the Finance Ministry and other branches of the Government. Candidates must be academically qualified and thoroughly experienced economists. Experience in responsible administrative positions desirable.

The salary of the appointment is £2,200 (fixed). In addition to the salary a variable cost of living allowance is payable, the rate of which is at present approximately 10 per cent of salary, subject to a maximum allowance of £162 a year.

The appointment may be held—
(a) On two years' probation to the permanent and pensionable establishment.
(b) On contract for a period of three-five years with a gratuity of 13½ per cent of salary (excluding allowances).
(c) On F.S.S.U. terms for a period of three-five years if the applicant is already a member of the system.

Government quarters are provided when available at a moderate rental. Free passages are granted on first appointment and on leave for the officer, his wife and children up to the cost of four adult passages in all. 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 EAF 51452/101.

THE WESTERN REGION PRODUCTION DEVELOPMENT BOARD, IBADAN, NIGERIA, invites applications for the following posts:—
1. SECRETARY.
Candidates will include attendance at Board and Committee meetings, preparation of Agenda and Minutes, as well as general administration and legal matters.

Candidates must hold a legal qualification and have considerable administrative and secretarial experience. Consolidated salary £2,050 per annum. General terms of employment shown in 4 below.

Applications, preferably in the candidates' handwriting, stating age, family, qualifications and experience (set out in chronological order), to
The Chairman,
W.R.P.D. Board,
Ibadan, Nigeria,

to reach him not later than December 15, 1955. Envelope to be marked SEC.

2. SENIOR ASSISTANT SECRETARY.
Candidates with similar qualifications, but with less experience than that called for in the case of Secretary, will be considered. Basic salary £1,300 to £1,500 per annum, plus expatriation allowance where applicable. General terms of employment as shown in 4 below.

3. ASSISTANT NEW PROJECTS AND INDUSTRIAL MANAGER.
The duties of the successful applicant will be to assist in the examination of proposals for the establishment of industries in the Western Region of Nigeria, the assessment of their viability and the technical problems relating thereto, and in the case of established projects, the institution of control systems and the reporting upon progress. Candidates should hold a professional degree or equivalent and have industrial and managerial experience. Basic salary will be in the range of £1,300 to £1,500 per annum, plus expatriation allowance where applicable. General terms of employment as in 4 below.

Applications for posts 2 and 3 above, preferably in the candidates' handwriting, stating age, family, qualifications, practical experience (set out in chronological order), to
The Personnel Secretary,
W.R.P.D. Board,
Ibadan, Nigeria,

to reach him not later than December 15, 1955. Envelopes to be marked SAS and NPM respectively.

4. GENERAL TERMS OF EMPLOYMENT:
Quota allowance £60. Free medical service. Free passages for wife up to 10 per cent of salary. Home leave on full pay at the rate of five days per month of overseas service, normal length of tour eighteen/twenty-four months. Housing provided.

INDUSTRIAL OFFICER required by the NIGERIAN FEDERAL GOVERNMENT for Commerce and Industries Department for one tour of 18-24 months in first instance. Salary scale (including inducement addition) either £780 rising to £1,410, with prospect of permanency, or £840 rising to £1,530 a year on temporary terms, with gratuity of £100-£200 on retirement. Quota allowance £60. Age 25-40. For officer and wife. Assistance towards cost of children's passages and assistance up to £150 a year for their maintenance while in U.K. Liberal leave on full salary. Candidates under 36 years of age should have had industrial training with experience in management and some knowledge of industrial financial practice. Experience in industrial planning or possession of a qualification in economics or accountancy an advantage. Write to the Crown Agents, 4 Millbank, London, S.W.8, or to the Director of Commerce and Industries, 10, Broad Street, Lagos, NIGERIA. MIB/497/41EN.

FULLY QUALIFIED MECHANICAL ENGINEERS, with works management experience, required by important organisation, with interests throughout the British Isles and Commonwealth. Applicants willing to accept assignments for a limited initial period of one to three years in Canada, Africa or New Zealand, with a possibility of a final post in the United Kingdom, if desired, are invited to apply. Remuneration on a high scale, with superannuation facilities. Are not over 40.—Full details of experience, qualifications and previous appointments and salaries, in confidence, to The Managing Director, Box 293.

A LARGE and old-established Irish provincial manufacturing company has a vacancy for a

CHIEF ACCOUNTANT.
A substantial salary will be paid and the position has prospects for a suitable man. Candidates must have had experience in manufacturing industry and a good knowledge of costing, statistics and budgetary control will be required.

Applications, giving full particulars of previous experience and qualifications, should be sent by letter only to
CRAIG, GARDNER & COMPANY,
Chartered Accountants,
39/41 Dame Street, Dublin, and marked "Chief Accountant."

AMERICAN RADIO ORGANISATION IN EUROPE wants sociologist or psychologist, experienced in political research, capable of holding important job in audience research branch. Other languages not required, but experience in application of latest research and statistical methods necessary. Salary possibilities commensurate with above. Family housing and transportation provided. Full details in first letter, please.—Box 298.

LEADING MANAGEMENT CONSULTANTS have several vacancies for qualified Engineers, with executive experience and with initiative, to act as Consultants after training. Age not over 40. Salary scale, £1,500 to over £2,500 per annum, with considerable further prospects to exceptional men. Superannuation and expense allowances.—Full details of qualifications and experience to Box 294.

ACCOUNTANTS (Chartered or Incorporated), aged 28-40, with industrial experience, interested in management accounting in industry, and in the design of electronic accounting schemes, required by London firm of Consulting Accountants for work in the United Kingdom, with opportunities abroad. Applicants should be willing to receive training appropriate to their experience and to be developed as management accounting consultants. Starting salary £1,350 or more, according to qualifications and experience, rising to £2,000 over three years. Excellent prospects in supervisory posts. Pension scheme.—Write, stating age, qualifications, interests, experience and salaries, to Box 303.

MARKETING AND RESEARCH.—Advertising Agency needs young man as Assistant to its Marketing and Research Manager. Self-confidence and some experience in market research (preferably with an agency) essential.—Write, giving details of age, education, experience and salary required, to Box 301.

LARGE LONDON ADVERTISING AGENCY requires Marketing and Market Research Executive, aged about 30. Agency experience in the consumer goods field will be an asset and a degree in Economics and/or Statistics is desirable but not essential.—Please apply with full details to Box 289.

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

Japan: £9
Malaya: £6.15s.
New Zealand: £9 (sterling)
Nigeria, Gold Coast: £5.5s.

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Malaya: £6.15s.
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Nigeria, Gold Coast: £5.5s.

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Australia: £8.5s. (sterling)
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Australia: £8.5s. (sterling)
Canada: \$21.50 or £7.14s
East Africa: £5.5s
Egypt: £5.5s

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, 1956. 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/2/4), Bolton Training College, Manchester Road, Bolton.
HUDDERSFIELD: The Director (S/2/4), Huddersfield Training College, Queen Street South, Huddersfield, Yorks.

LONDON: The Principal (S/2/4), Garnett College, 83 New Kent Road, London, S.E.1.

MARKETING RESEARCH.—A well-known industrial Company invites applications to fill an appointment involving responsibility for that part of the marketing research function concerned with consumer and retailer research. A good honours degree in Economics or Business Administration is essential. Candidates must have extensive knowledge and experience of the techniques of sampling and the organisation and control of consumer surveys. This is a senior post, giving ample scope for technical and administrative development. The imaginative development of existing techniques in new methods will be paid to the right man, and in certain circumstances housing assistance may be available. Full details of qualifications and career to date should be sent. These will be treated as confidential.—Box 285.

ACCOUNTANT REQUIRED.—The Co-operative Wholesale Society Limited requires a qualified Accountant to be responsible for the accounts of its Meat Department, which operates nationally with headquarters in London. The candidate will be responsible to the Departmental Manager for the functional control and direction of all clerical staff at depots and area offices, and directly for the administration of the clerical staff at London Headquarters, where there is a punched card installation. Duties would embrace the integration of the accounting and costing arrangements of product units and the production units of the Department and the preparation of control statistics for management.

Applications are invited from candidates aged 30-45 years; will be treated in strictest confidence, and should be made to the Secretary and Executive Officer, 1, Bolton Street, Manchester, 4, stating salary required.

AMERICAN RADIO ORGANISATION IN EUROPE wants Czechoslovak and Hungarian analysts for audience research work. Applicant must be able to translate into English and write English effectively. Background necessary in social sciences, research or journalism. Minimum £600 annually. Family housing and transportation provided. Full details in first letter, please.—Box 297.

ASSISTANT STATISTICIAN required by Colonial Office. Duties: Work of Statistics Department includes advice to Colonial territories on statistical policy and compilation of Colonial statistics. Current subjects include statistics relating to demography, agricultural and industrial production, trade, balance of payments and national income. Salary scale £470 x £30-£680 x £35-£855, plus pay supplement £43.10s. 0d.—plus 8 per cent if 45½ hours per week.

Post is temporary and non-pensionable.—Write, giving date of birth, education, full details of qualifications and experience of posts held (including dates), to A.B.1542, London Appointments Officer, Ministry of Labour and National Service, 16 Tavistock Square, W.C.1, by December 10, 1955. No original testimonials should be sent. Only candidates selected for interview will be advised.

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offer a career in sales to ambitious and personable young men ready to work hard to make the best of the excellent opportunities existing with this expanding Company. There are vacancies open on the London sales staff, and the successful candidates will receive a fixed weekly salary.

During the initial period when they are undergoing a thorough training course at the Company's school. Afterwards salary, commission and expenses will be paid. Write, giving details of education, etc., to Personnel Manager, British Olivetti Limited, 10, Berkeley Square, W.1.

CENTRAL ELECTRICITY AUTHORITY
SOUTH WALES DIVISION
Applications invited for Superannuation N.J.C. appointment of ASSISTANT IN THE STATISTICS SECTION of GENERATION (OPERATION) DEPARTMENT.

Salary: Grade 2—£525 to £575 per annum.
(a) To supervise routine calculations.
(b) Assist in the analysis and presentation of technical statistics.

University degree (preferably in mathematics or economics (statistics)) or equivalent and experience in the Electricity Supply Industry.
Application forms obtainable from Secretary, South Wales Division, Central Electricity Authority, Twyn-y-Pedwen Road, Gabafla, Cardiff, to be returned by December 8, 1955.—Vacancy No. 125/55.

ESSO PETROLEUM COMPANY LIMITED, Refinery Department, Fawley, have a vacancy in the Employee Relations Department for a Male Assistant to work as a member of a team dealing with a wide range of personnel work.

University degree or social science qualification desirable, but personal qualities and calibre equally important factors.
Progressive, pensionable post, starting not less than £600 per annum.
Write, giving personal details, in confidence, to Employee Relations Superintendent (Dept. E/R/S), the above address.

Applications must reach the above address by November 30th.

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AMERICAN Plastic Model Kit Manufacturer who is developing the European EXECUTIVE.—Address letter of application, stating requirements and qualifications, to Box 305.

LATIN AMERICA
Executive of many years' administrative experience in finance, investigations, credit control, personnel relations, sales promotion and purchasing, with fluent Spanish, would welcome appointment in Latin America or with Canadian Company exporting to that area. Advertiser is English Chartered Accountant, age 46.—Box 291.

SENIOR Market Research Executive seeks change. Outstanding record, initiative and drive. Wide marketing/advertising experience. Salary not less than £2,000.—Box 299.

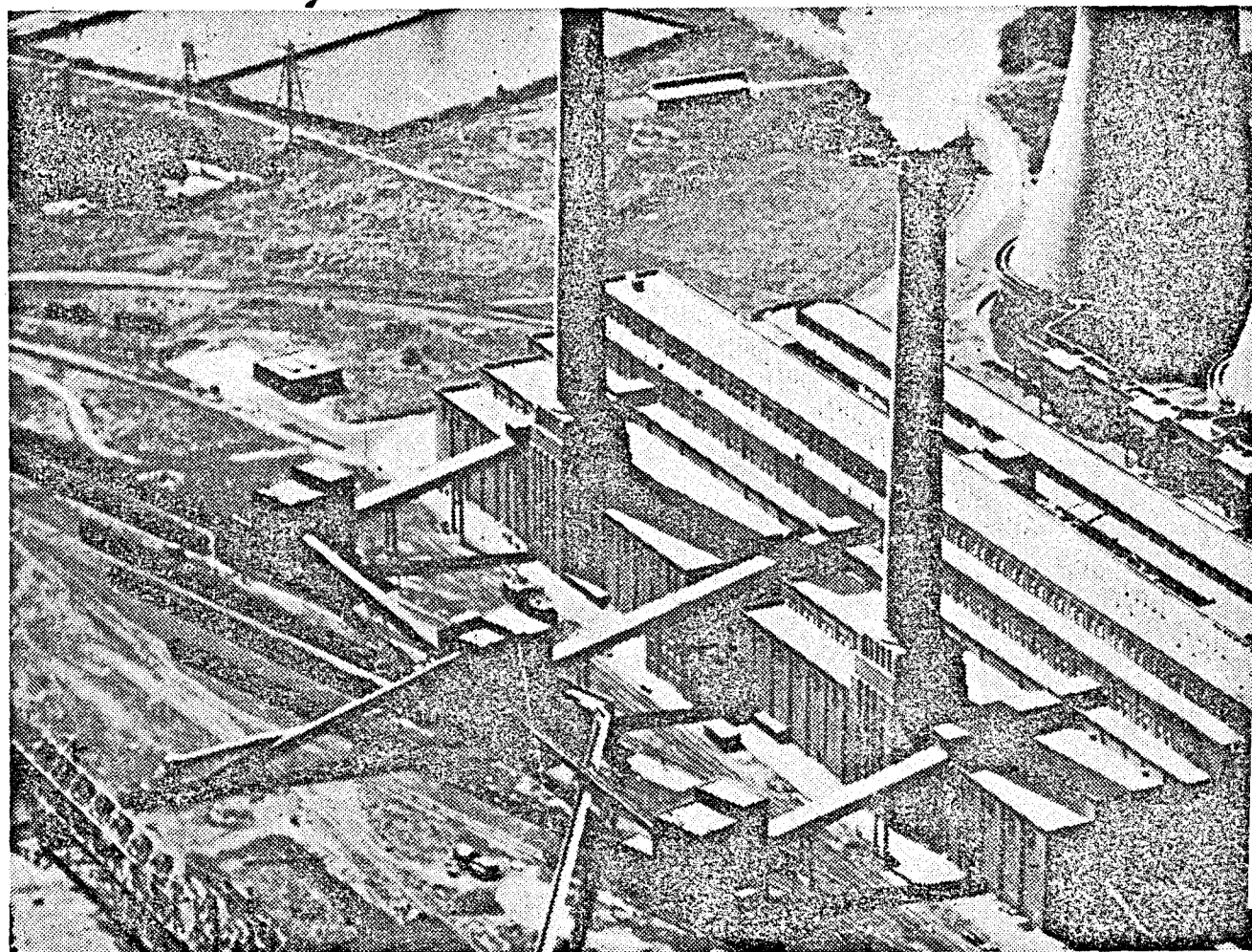
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CAVALRY OFFICER, 34, Staff College, just retired, requires post in commerce or profession, at home or abroad. Experienced in organisation, administration, staff, sports, etc. Any post requiring tact, initiative and personality considered.—Apply Major G. N. Rees, c/o Col. Beath, Burslem, Great Bolas, Wellington, Shropshire.

RUGBEIAN, Oxonian, single, 45, desires suitable post—minimum salary £800.—Rugby, French, German, some Portuguese, Spanish, experience export procedure, documentation, correspondence.—Box 302.

OXFORD Economist, 36, classics graduate, writer and broadcaster, widely travelled, bi-lingual French/English, excellent German, 4 years' commercial and financial experience City, seeks responsible position calling for personality and initiative.—Box 304.

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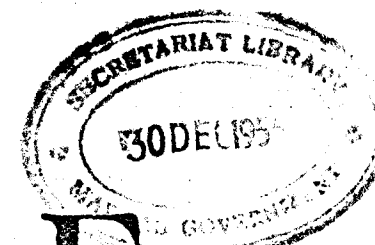
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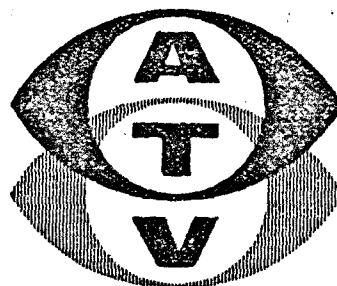
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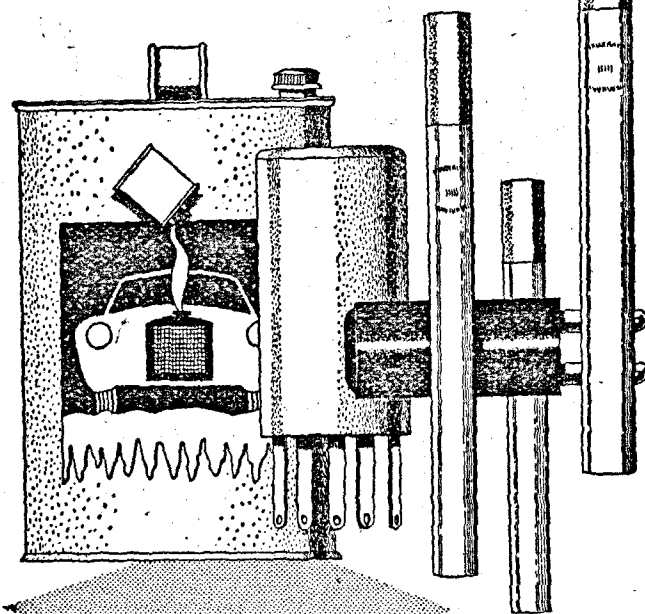
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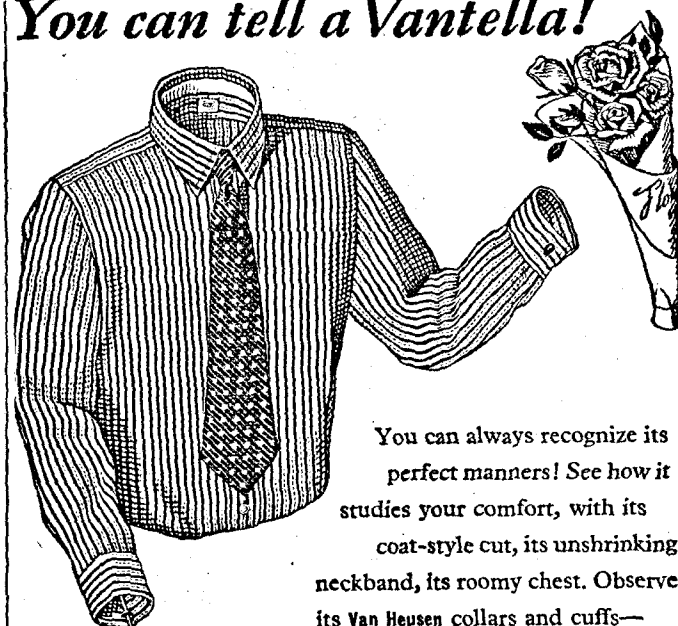


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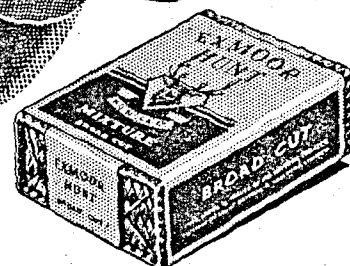
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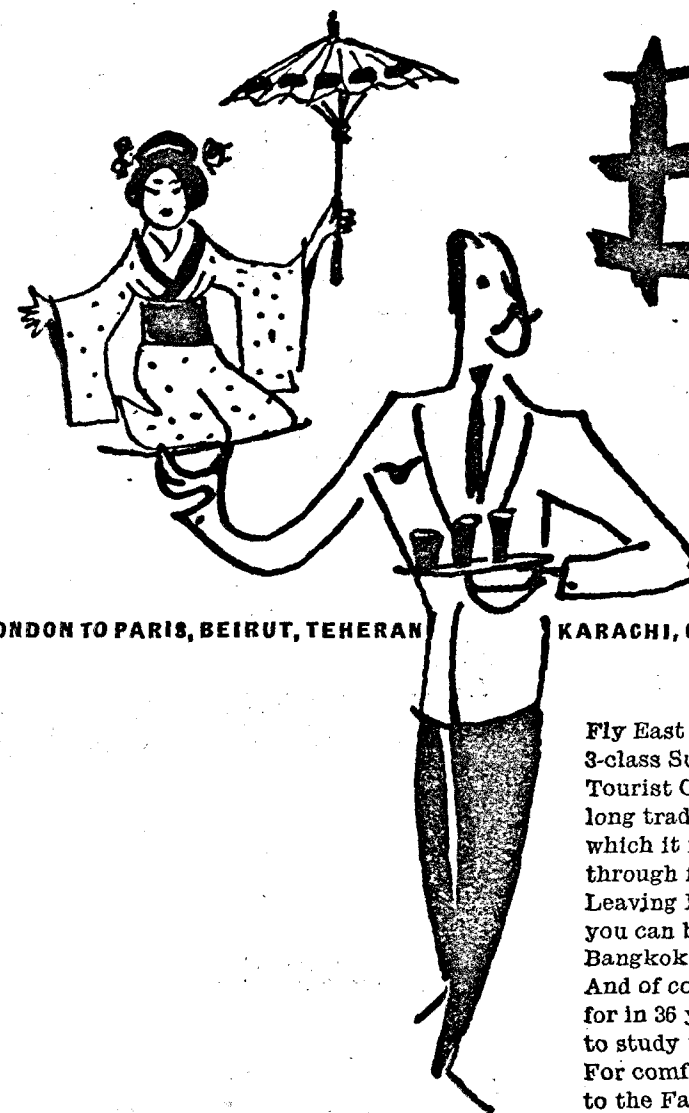
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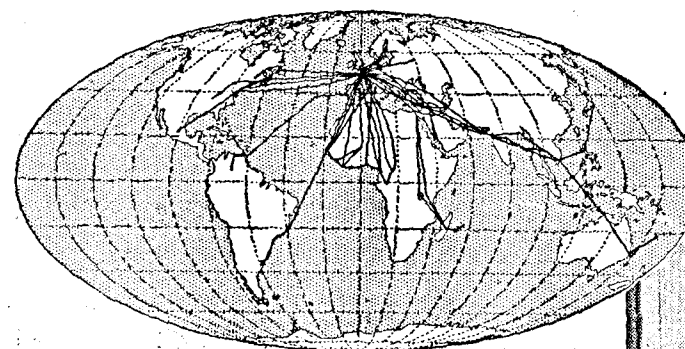
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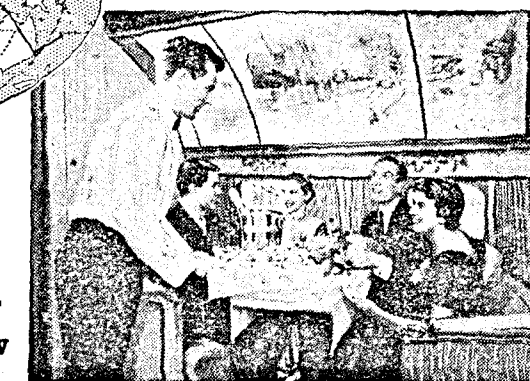
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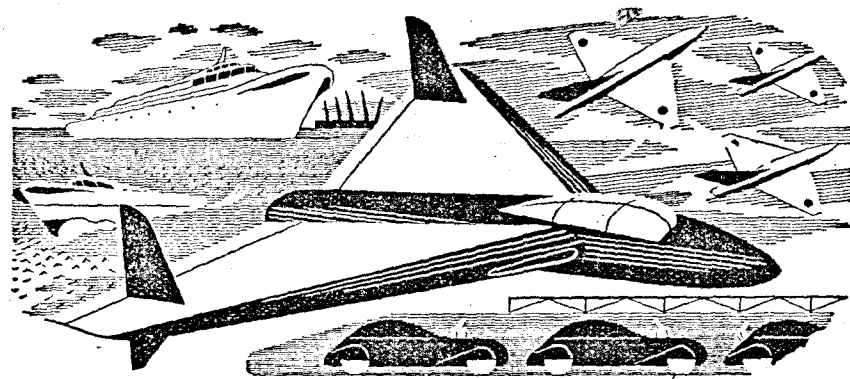


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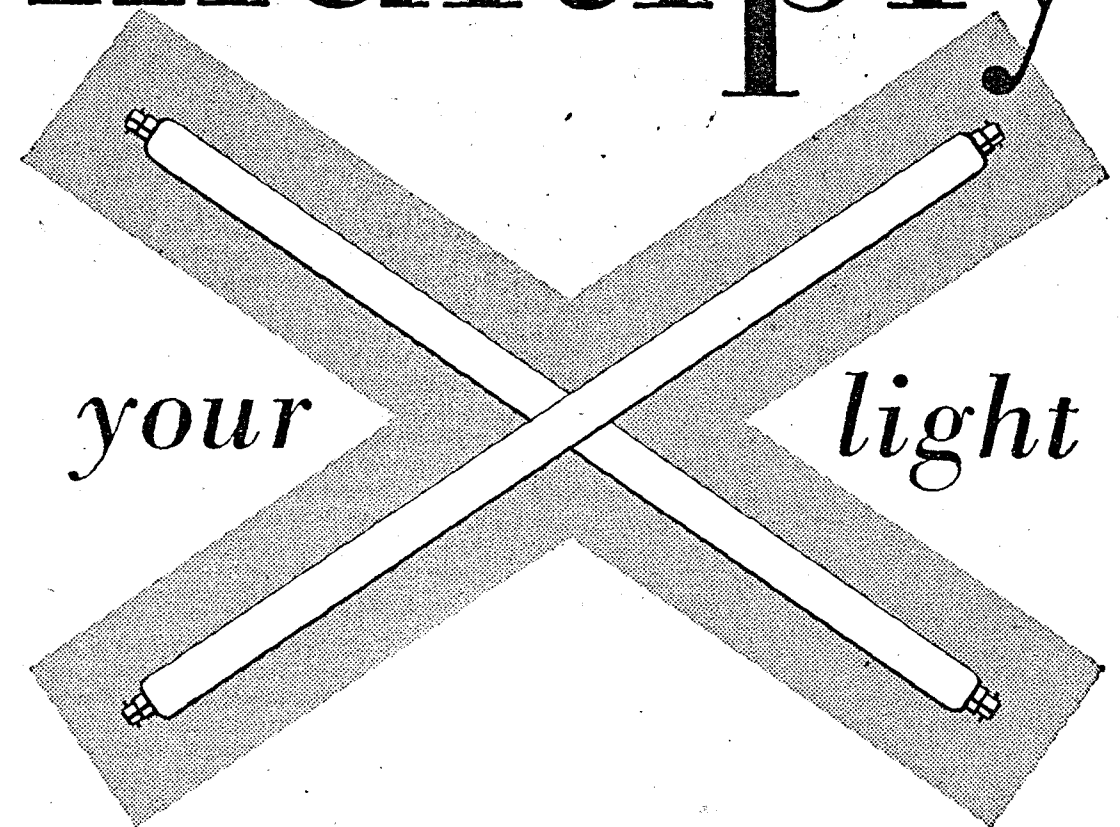
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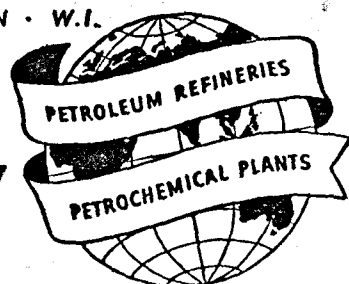
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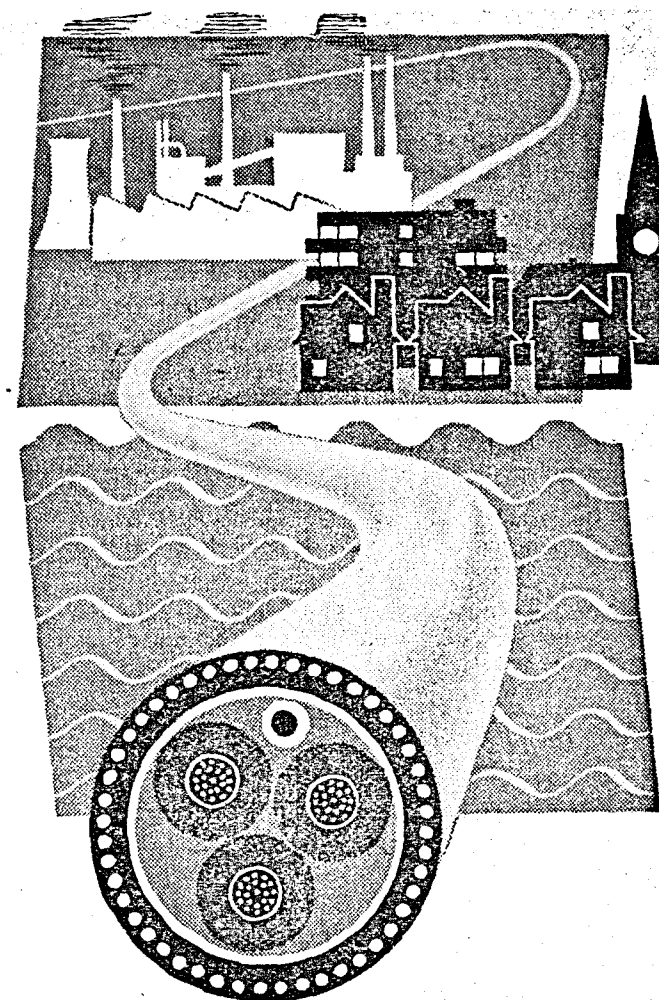
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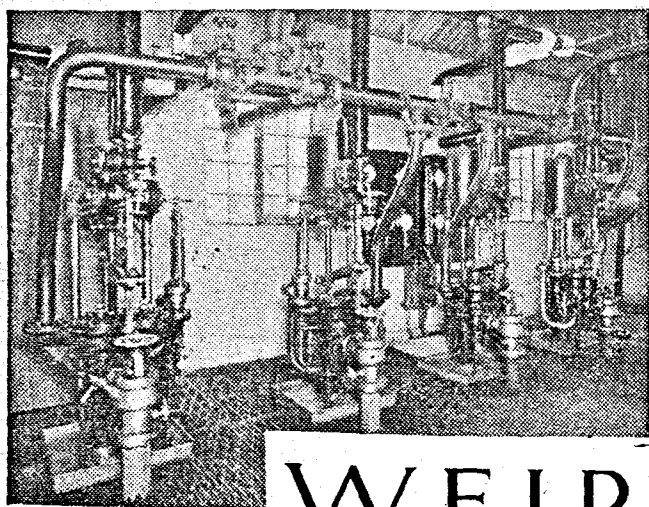
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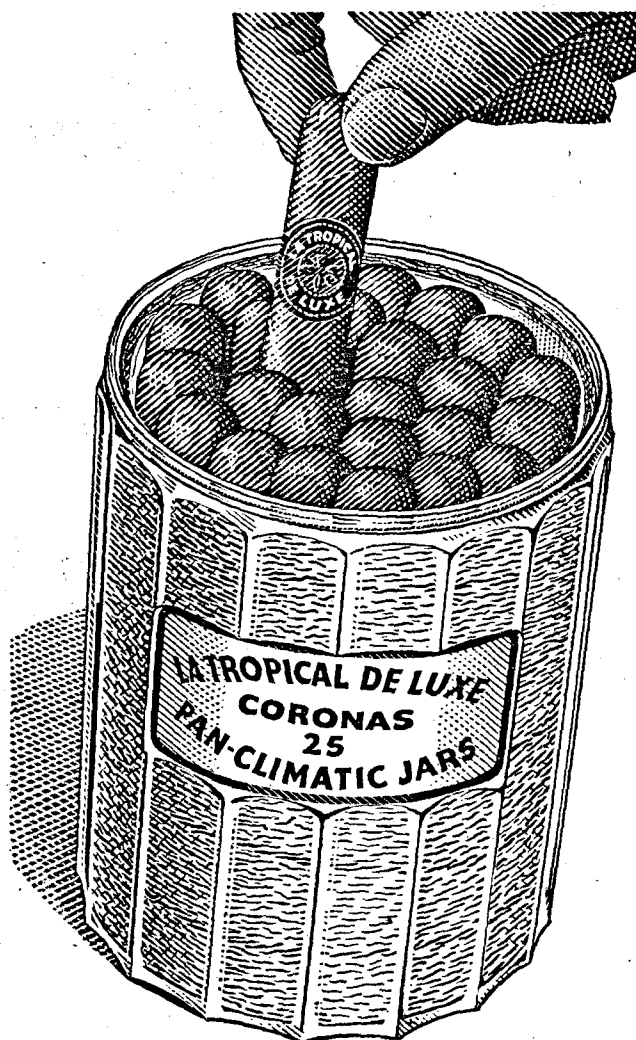
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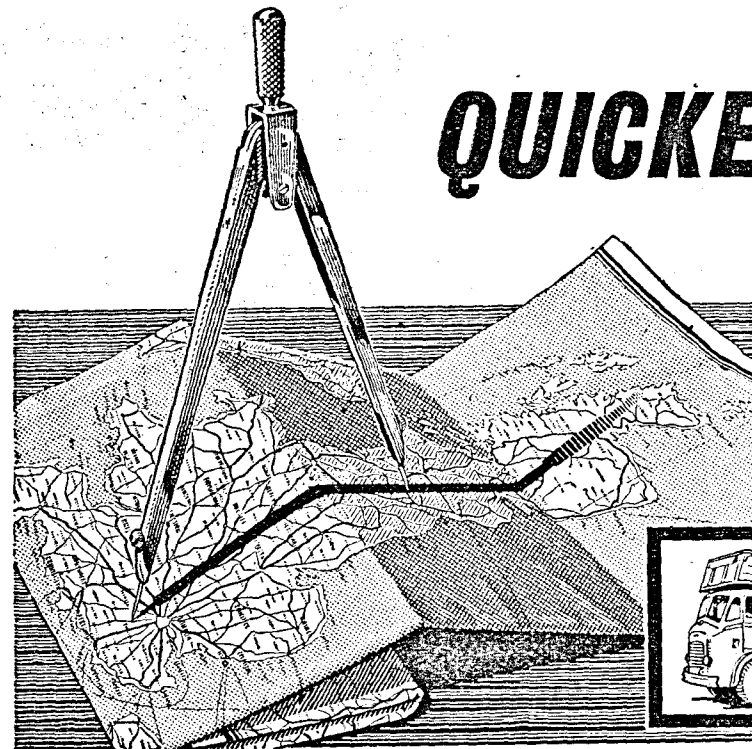
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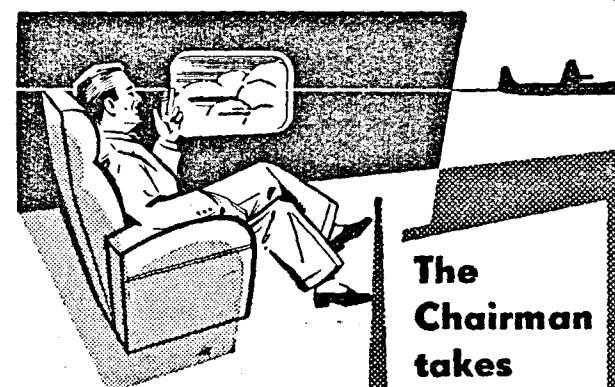
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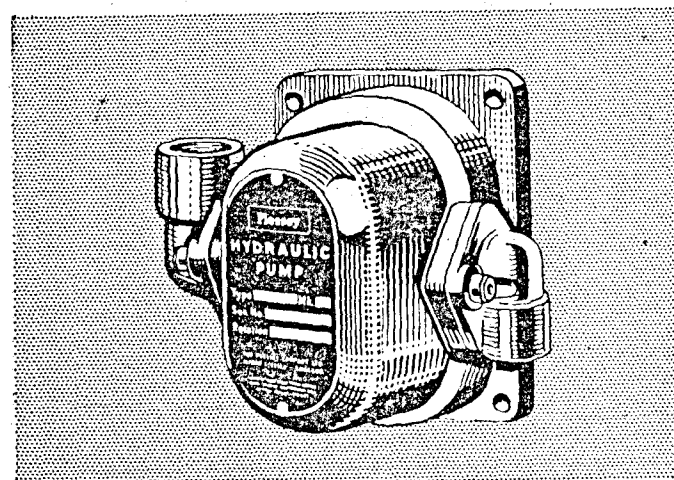
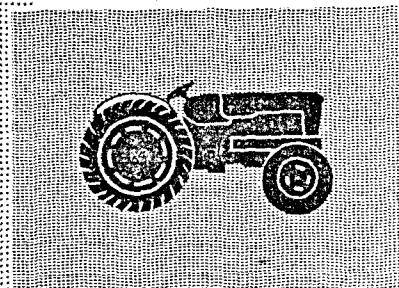
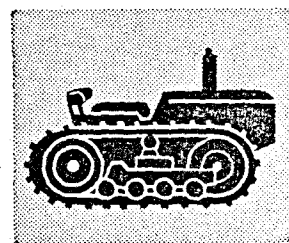
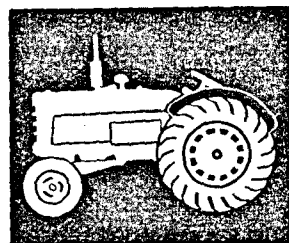
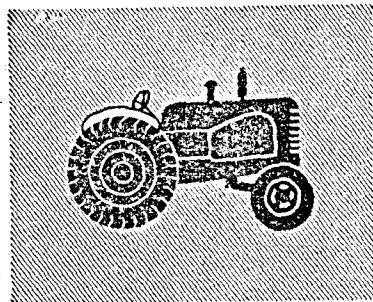
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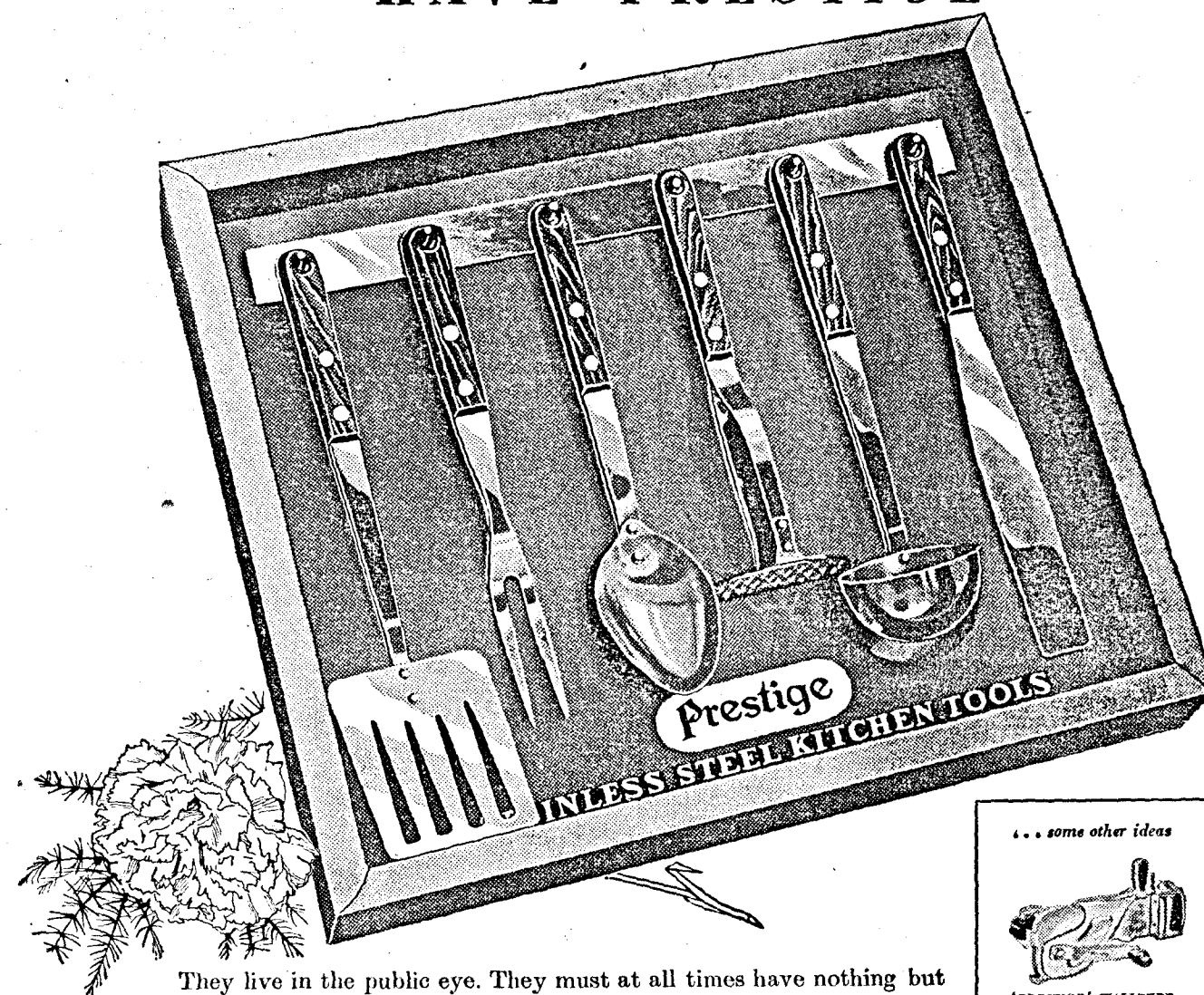
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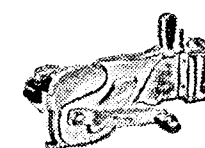
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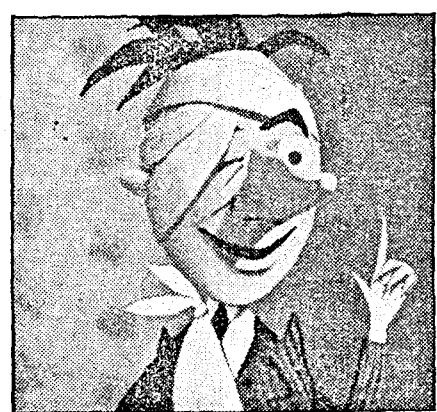
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At the Lowest Level

DOES the British Government understand its own foreign policy? One is impelled to ask the question by the extraordinary posture in which the Foreign Office has placed itself in the past week. Its avowed policy is to seek peace by firmness, to respond to any genuine initiative towards a stable settlement in the world while making it clear to the potential aggressors that no monkey business will be tolerated. But when a particularly nauseous piece of monkey business is perpetrated, what happens? An unfortunate official gets rapped over the knuckles for applying to it the perfectly truthful description of "hypocrisy" and the Permanent Under-Secretary of State accepts—at least does not reject—a protest from Moscow. The appearance of this, all over the world, will be that Britain is apologising for being deliberately slandered by the highest Communist leaders.

Mr Khrushchev is, indeed, a notorious dropper of bricks. But no mere slip of his fidgety tongue can explain away his fantastic charge, publicly made in Bombay last week, that the British, the French and the Americans had

started the second world war, sent troops against our country, and these troops were the troops of Hitlerite Germany.

He chose, rather obviously, to launch this breathtaking piece of nonsense at a rally of Indian Communists and fellow-travellers. Next day, he proceeded to India's national defence academy, where Lieutenant General Thimayya and his officers and men received him with polite correctness. A number of them wore medals which recalled that they had fought to check the Nazi and fascist drive towards Asia, at a time when Mr Khrushchev's party was everywhere sabotaging the struggle for the survival of freedom, and loyally maintaining its lucrative partnership with Hitler by rushing war supplies to help the Nazis overrun Yugoslavia and Greece.

It is true that Mr Khrushchev, an exemplary product of Stalin's schooling, seems to learn more slowly and painfully than did Frankenstein's laboratory-built monster. Perhaps he really has no idea that, long before Mr Molotov's incredible announcement (on June 14, 1941) that warnings of a German attack on Russia were being put about only by "the forces arrayed against the Soviet Union and the Great German Reich," Indians were fighting and dying alongside British, Australian, French and other comrades to protect Egypt and the Arab world and to set Ethiopia free. An obscure party employee in those days, he was probably never allowed to know that Stalin did not even acknowledge Mr Churchill's repeated warnings of the impending Nazi attack. A devout ignoramus today, he would be the last man to heed the thought that the allies' Thermopylaean resistance in the Balkans, which forced an infuriated Hitler to postpone invading Russia for over a month, quite possibly saved Moscow. Excuses may be made for childish ignorance and even for narrow racist arrogance. But there is no excusing a cold, venomous lie.

Whatever the motive, there is no doubt about the fact. Mr Khrushchev has deliberately chosen to bring Soviet relations with the western democracies down to the lowest level. There should be no illusion that he spoke in heat or in liquor. True, his bluff apology the next day for overrunning time—"speakers are like drunkards"—was oddly unapt in prohibitionist Bombay. But his upside-down thesis, that the western democracies "backed" that same Nazi Germany that assailed them long before it broke with Russia, is a standard text in domestic Soviet propaganda. Now it has also been launched at the peoples of free Asia, along with the countless other falsehoods and confidence tricks that the Communist chiefs have employed during their present tour. They must have taken into account the anger their smear campaign was bound to arouse in the West, just as they took into account, a few days earlier, the impression Mr Molotov's arrogance and intransigence would make at Geneva.

How the Indians propose to react to their guests' befouling of their hospitality is not yet clear. At the time of writing, there seem to have been no more than a couple of startled comments in the whole Indian press. That does not necessarily mean that no urgent private representations have been made to the Russians. One must sympathise with the Indians over the painful embarrassment that their generosity in providing Soviet leaders with a free platform has brought them. They doubtless honestly regret that their country has been used as the back-cloth for a revolting "smear" attack on a friendly people—for Britain, which in June, 1941, was the only western power in the field against Hitler, was the particular victim of Mr Khrushchev's calumny.

★

All that is the Indians' affair, and should be left to them. But there is something else that is very much our affair. This same pair, Messrs Bulganin and Khrushchev, are due to come to London some time next year. Can such a visit now possibly take place?

One is tempted to answer, emotionally and immediately, that of course it must be called off. But decisions of foreign policy should never be shaped by emotion, always by cool calculation. National *amour propre* should be kept under control, and the Foreign Office, like the Duke of Wellington to the Spanish grandee, should be prepared to bend the knee if a victory can be gained thereby. If dignity were the only thing at issue, it might be enough to suggest that Mr Bulganin should leave his companion at home—a diplomatic illness for Mr Khrushchev would be quite plausible after his sojourn in the drouth of India.

So let wounded feelings be put aside and the question asked in cool realism: would it serve a useful practical purpose for the visit to take place as planned? If so, then the recent insults should not prevent it. But if not, then they should be accepted as a heaven-sent opportunity for getting out of it.

The invitation was originally issued at the summit

in July. There was at that time just a little reason to hope that, if the dawning Russian realisation of the West's good intentions could be cultivated, it might be possible to make a little progress with dismantling the obstructions to a stable settlement. Having discovered at Geneva that Sir Anthony Eden and Mr Macmillan were quite human and even nice to know, let the Soviet leaders extend their education by coming to London and finding out that there really are no "aggressive circles" in the background. That was the argument in July, and there seemed to be something in it.

But there have been several changes since then. It is really not possible any longer to believe that the only obstacle to a settlement is the shyness, the ignorant apprehensions, of the Russian leaders. Mr Molotov made that quite clear when the Geneva conference was resumed. The smiles of July are now seen to be part of the game. The Communists are now evidently using on the western nations as a whole the technique that they have often used on their prisoners, the technique of breaking down resistance by inducing alternations of optimism and pessimism.

The other thing that has been made clear since July is that the Russian rulers are not interested in finding out—or in letting their subjects find out—the truth about the outside world. When Mr Bulganin and Mr Khrushchev go abroad, they do not go to broaden their own horizons or to correct their misconceptions about other people. They go to stir up the credulous masses and to make propaganda. When they are in India, they revile the western nations. While they were actually in England, they would say nothing nasty about the British, but plenty about the Americans. If ever they went to America, everything would be the fault of the "colonial powers." Just as the intention of their visit to India has been to make as much bad blood as they could between India and its western friends, so their object in coming to London would be to create as much mutual suspicion as they could between the British people and their American and Commonwealth friends. In short, since the visit was first mooted in July the useful purposes that it could serve have, by Russian action, been reduced to vanishing point, while the risks inherent in it have been shown, by Russian example, to be very much larger than was realised in last summer's mood of innocence.

It has been wisely said that, while public opinion may sometimes be right in pushing a government towards peace, it should be very cautious about pushing responsible ministers towards hostile acts. There may be some relevant facts that the public does not know. Let us therefore forbear from pushing the argument to what seems to be its logical conclusion. Let us simply say that the question to be addressed to the British Government is not whether, in the absence of a retraction and an apology, the invitation to London should stand. That puts it the wrong way round. The right way round is to ask whether there is any hidden reason why it should not be cancelled.

In Working Order

IT is now six months since Sir Anthony Eden was confirmed as Prime Minister by the British electorate. This may serve as one of two excuses for discussing how the organisational system of the Eden Government seems to be working. The other excuse is that the Government changes, which most people had expected just after the election, have not yet taken place. They no longer seem to be anticipated this side of the Christmas recess. There is perhaps no great reason now, although there did seem to be a reason in October, for wanting to hurry them on; but it is worthwhile to examine the administrative background against which Sir Anthony will have to make his eventual decisions about them.

When Sir Winston Churchill retired last April it was suggested in these columns that one compensation for the loss of a certain majesty in our affairs might be the gain of more order in them. On the whole that judgment holds good. Indeed, in the last few months the business of state seems to have been more ordered and more expeditious, not only than in the Churchill era, but than in the Attlee era as well. There have been occasional exceptions, of which the prolonged dithering over the call-up compromise was an obvious example. But, in general, the journalist in Whitehall now less frequently trips over what seem to be fully documented decisions, only to find that—because (in Labour's day) Ernest Bevin has objected or (in Sir Winston's day) the Cabinet has only belatedly got round to discussing the matter—they are suddenly reversed or returned, amid departmental recriminations, to an inchoate form. This much is pure gain.

It also seems to be fairly apparent what has brought about the change. As far as the outsider can see, staring through his glass darkly, individual Ministers, in their capacity as departmental heads, have more effective powers of initiative under this Government than under its immediate predecessors. It is from the departments that the main proposals now seem to surge forward, and straight up to Cabinet level. They are not sifted first through the appropriate executive member of the union of sub-Prime Ministers (as in the Labour period), nor do they have to wait their turn at the back of a long queue outside the Cabinet door, while brilliant—but time-consuming—one-man dissertations on the hydrogen bomb go on inside it.

What happens when there is disagreement in the Cabinet with particular departmental proposals, as there no doubt sometimes is, is more obscure; but this is a matter that is—or ought to be—obscure under any administration, until the leading figures in it look back from their old age and are willing to reminisce for history's sake. The general impression, however, is that the solutions found for disagreements in this Government have been tidier, more ordered, and more in line

with the individual departments' wishes than usual. This, in short, seems to be an administration in which most policy decisions have come up from below, instead of being imposed by sudden Prime Ministerial directives from above. There have, of course, been some such Prime Ministerial initiatives; shortly after the election, it looked as if there was going to be a rather alarming crop of them. But experience has suggested that whenever these initiatives prove to be rather woolly, for example in a sudden upsurge of enthusiasm for profit-sharing or for a new deal in industrial relations, they are very sensibly remitted to departments or Cabinet committees, for sober and detailed consideration there. There have been no public examples since the election of Ministers marching along in one direction, and then suddenly getting a peremptory order for "action this day" to march along in another.

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If this is a fair picture of the working of the Eden Government, it provides a useful background to discussion of possible changes in its membership and composition. The first point to emphasise, of course, is that if Ministers in their individual departments are to be the mainspring of the Eden system, then it is important to keep those Ministers wound up for action. Fortunately, an unusually adequate number of them seem to be wound up for action already. They are wound up, very largely but by no means reprehensibly, by widespread personal ambition. There are still—to the Conservative mind and to most other minds as well—a series of distortions left over from the postwar period to be cleared up in almost every department, a number of obvious goals to be reached, and plenty of scope for personal reputations to be made in reaching them. And most Ministers know it.

This does not mean, of course, that the structure of Government is now in a state of dynamic equilibrium. For one thing, there is a danger that, as individual Ministers' tenures of office expand, the pleasures of pressing forward to the Cabinet's attention may pall, and the pleasures of a quiet life become more apparent. For another, there may be certain departments in which the pleasures of a quiet life—and of allowing awkward problems to pile up in the pending tray—may loom too large already. There are some people, for example, who would now prefer to see a man of ambition at the Home Office, rather than a succession of statesmen of quietly impeccable taste. But, in general, both at ministerial level and a little below it, the Conservatives have no obvious shortage of pushful young men; there is merely a shortage of high places for them to push to. Sir Anthony would be wise to remember this. If he

purposes to shuffle some of his senior Ministers about, he should not shuffle them into posts where they will continue to block the bottleneck at the top; he should keep those who are indispensable in their present offices, and shuffle any misfits out of the Government altogether.

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This leads to consideration of the position of the most indispensable Minister of all, and to what is quite certainly the most important thing that needs to be said about any prospective changes in the Government. It has been widely reported that, just at the moment when there at last seems to be no need for a Deputy Prime Minister to co-ordinate domestic policy, Mr Butler wants to move out of the Treasury into precisely that office. One question to be asked is what on earth he would do there. There are a few non-financial matters for which some co-ordination of Government policy is needed; this is the job that seems so far to have been undertaken mainly by the Lord Chancellor, who has often been surprisingly good at it but who might occasionally benefit from help by a colleague with an imaginative rather than a legalistic attitude of mind. But this would in no way be a major office of state. The real task of co-ordination at the moment is a financial one; the one thing that the departmental programmes of the more forward-looking Conservative Ministers have in common is that all of them need more money. It is inconceivable that the Treasury would allow the task of rationing the money between these programmes to be undertaken by anybody but a Chancellor; least of all could it be done by an ex-Chancellor, jogging fitfully—and with inevitable

embarrassment—at his successor's elbow. If Mr Butler were to leave the Treasury now, he would be moving out of a major co-ordinating role into a minor one.

This would be a very great pity. It need not be denied that Mr Butler's stock has fallen quite sharply in the last few months. But he will be making a sad mistake if he takes this too much to heart. Politics is a funny business, full of inexplicable accidents, and Mr Butler's present loss of prestige is to be explained much more in terms of unfortunate accidents (he has had his full share of good luck in the past) and errors of presentation than by any defects in his policies. The current may easily flow the other way in a month or two. In any case, the only question that should be asked is where Mr Butler could be of most value to the country. There is no doubt that he is of most value to it at the Treasury. During his four years there, he has held the Government to the right policy of moving back from compulsive planning to reliance upon the mechanisms of freedom; if he were to leave the Treasury now, there would be a real danger that any successor, less committed to virtue, might gradually slide back towards the easy expediency of direct controls. And that would be the quickest single way of turning the—still very delicate—engine of Conservative progress into reverse.

Sir Anthony Eden's need, six months after the election, is not to revise the basic structure or machinery of his administration. It is merely to keep the present machinery moving forward, and to increase its tempo a little here and there. To do this he will have to face the embarrassment of asking some of his colleagues who are in the wrong places to retire gracefully. He should be equally firm in asking others to be cheerful about staying in the right places.

An Experiment with Time

SINCE September the United Nations Assembly, sixty delegations strong, has sat in New York, nominally representing the collective wisdom of the peoples of the world, nominally engaged in bringing them more peace, security and prosperity. How many among the hundreds of delegates would honestly claim that it has fulfilled either of these functions? How many positive achievements could they point to? How many of the world's two billion inhabitants are even conscious of the fact that the Assembly is doing anything at all? And, indeed, is it?

A patina of age is already settling not only on the edifice off 42nd Street but also on the rites performed therein. Age brings with it acceptance, and it now seems to be accepted by many people as the most natural thing in the world that statesmen, officials and experts, of whom some at least could be usefully serving the peoples who pay their salaries, should be closeted

for three or four months every year in Manhattan, engaged in debates the principal product of which is a mountain range of mimeographed records that nobody will ever read. Month after month the speakers drone on; the secretariat, completing bulky reports on esoteric subjects only to see them quietly pigeon-holed, is promptly asked to produce more; committees, sub-committees, expert committees, and provisional committees (usually self-perpetuating) are formed and shot out into the void like particles in a cloud chamber; and nobody is moved to ask the anguished question: "How long, O Lord, how long?" They know the answer.

The tedious performance does not, of course, lack critics; but they are mainly of the wrong kind. The Assembly's brontosaurian antics make it an excellent target both for those who dislike the whole idea of co-operation on a world scale, and for those who fondly

believe that a world riven between parliamentary democracy and variegated despotisms is already ripe for universal federation. Admittedly, within the United Nations system itself there are some cool heads who recognise the Assembly's disease and from time to time seek to apply palliatives. The Secretary-General has wrestled like Laocöon with its serpentine tangles, and has managed to prune the odd tentacle here and there. Committees have been formed—supreme irony—to discuss how to shorten the lives of other committees. But the only proven means of getting the Assembly to break up is to ensure that Christmas arrives punctually on December 25th every year; and even that does not always do the trick.

Solemnly, sadly, orator after orator laments the scant attention that press and public pay to the Assembly's quaintly named "activities," the tendency to by-pass it shown by governments that happen to want to get something actually done, the derision with which states both great and small ignore its pleas for good behaviour, the bottomless pit of oblivion into which its painfully agreed and amended resolutions sink each year. Few of these salaried mourners, or of their somnolent audiences, seem to feel any duty to think out for themselves why these things should be so. Yet the explanation can be given very briefly. The quality in which the Assembly is most fatally lacking can, in fact, be put into one word: brevity.

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Unless it can achieve brevity, there is indeed no hope for it. Well-wishers of the United Nations can, and do, patiently explain to the impatient and the sceptical that Uno cannot exercise powers to maintain peace that it has not been given. They can explain that it cannot function as a true clearing-house for helpful suggestions when one half of the world's peoples are sealed off from the other by totalitarian controls. But they cannot explain why, given these obvious and strict limits to the organisation's effectiveness, the annual rites should always be so tedious, so costly, and so overwhelmingly pointless.

Collectively, the delegations and their governments are responsible for the undoubted fact that the Assembly becomes "news" only when something unusually foolish happens. This year it has caught the world's ear only by provoking France to withdraw, and, two months later, coaxing it to return; by keeping Italy, Ceylon, Austria, Japan and other worthy nations waiting on its doorstep while those two odd entities, Formosa and Outer Mongolia, snarl on the mat; and by getting ludicrously stuck over the selection of next year's Security Council. Any real town meeting that ran on so long and to such little purpose would be broken up by a rightly exasperated citizenry.

Meanwhile, there looms on the horizon what is, in this context, the appalling prospect that the Assembly will soon comprise not 60 delegations but 78. Each

of the newcomers will, without question, claim as full a hearing as the present members. Must future Assemblies, then, run for five or six months a year? And what after that? There will still be more than 78 sovereign governments, and their numbers will presumably increase as other territories attain independence. The British Commonwealth alone, which has already provided Uno with thirteen members, may provide another score in due time. Once the Assembly acquires over a hundred members, it might as well remain in continuous session, and thus save the delegates from dispersing each year with the dispiriting feeling that nothing has been achieved. But, before this *expansio ad absurdum* is completed, cannot something be done to restore its good name?

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Surely something can. In the current issue of the unofficial British journal, *United Nations News*, there is advanced one of those ideas that often have all the more impact because they are cast in an ironic form. There may be better ideas for cutting the length of Assemblies down to sane proportions, restoring their dignity, reducing their cost to the taxpayer, saving mental wear and tear on senior diplomats, and penalising frivolous mischief-making—but they have not yet been put forward. Briefly, it is argued that, since the Assembly is above all a gigantic sounding-board, the equivalent of a radio or television network, those who exploit it as such should buy their time.

There need be no outcry that this would silence poorer nations at the expense of richer ones. On the contrary, it could be arranged to "soak the rich" as effectively as income tax does in Britain. For what is worth saying can, in any UN debate, be said in a few minutes; and each delegation could be allowed those first few minutes free of charge—after which a steeply rising scale of charges would make marathon speakers add to Uno's finances so generously that more taciturn nations could reduce their statutory contributions. Nor need it be feared that some notoriously defaulting governments would never settle their bills. The skilled engineers who have equipped the Assembly hall with microphones, headphones, and simultaneous translation, could easily ensure that all these were cut off the instant an orator's cash payment, previously inserted into a coin-box, ran out—and perhaps they could arrange that the speaker's podium descended into the nether world like a cinema organ keyboard at the same moment.

Who would lose by the adoption of some such fool-proof, fair-shares system? Assemblies would be cut to a fraction of their present length, to the advantage of taxpayer and weary statesman alike. The neediest nation would still have its say (and its vote), plus the satisfaction of seeing any delegation whose volubility exceeded its sense of thrift paying through the nose into the common funds. Delegates would soon be

discouraged (by their own ministers of finance) from frivolous mischief-making, outbursts of spleen, and the propounding of projects known in advance to be futile. The meek would inherit the town meeting of the earth. And—which is perhaps most valuable of all—people might again begin to listen to what is said in the Assembly. Short, pithy speeches are always more likely to be reported than long-winded ones. Short, pithy Assemblies might recapture the public attention and respect that long-winded ones have lost.

What is the alternative? To watch the expanding universe of jargon, bickering, and platitude on 42nd Street absorb more and more time, energy and money,

while Uno's own High Commissioner for Refugees must tramp the world to scrape up pitifully inadequate funds, and good folk in many countries, who, unlike the Assembly orators, seek no fame, plod along wet streets to collect coppers for the UN Children's Fund? To see the paper mountains rise to Alpine heights in a hundred dusty archive rooms while sixty governments can find only fifteen observers to watch the Israeli-Egyptian frontier? To see the United Nations itself fade slowly away behind thickening clouds of public boredom? Human ingenuity ought to be able to do better than that; and the first and most practicable remedy is surely a stiff dose of brevity.

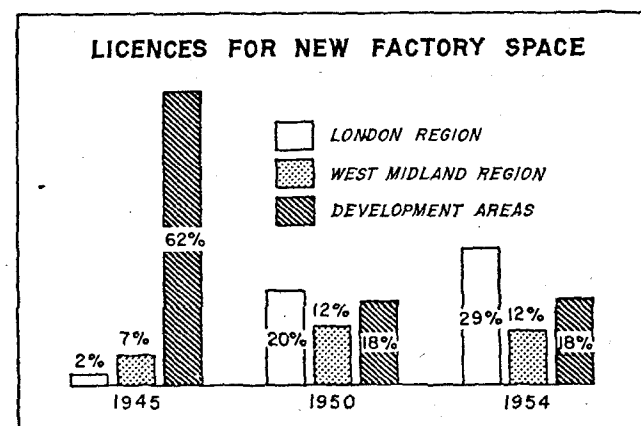
Too Big for their Bounds

FIFTEEN years ago, the Barlow Commission recommended that a curb should be placed upon the further growth of London. Since the war, successive Governments have endorsed this recommendation. Attempts have been made to limit the sprawl not only of London, but of the other four obviously overcrowded industrial areas of Birmingham, Manchester, Liverpool, and Glasgow. The present Minister of Housing is an enthusiast for this policy. But, at the moment, his ideas are meeting with only very limited success.

The accompanying chart explains why. Men go where jobs are created. And, after a period of fairly strict control through the Board of Trade's licensing system after the war, industrial development is once again booming in the immediate vicinity of London and Birmingham. Last year, for example, 29 per cent of the new factory space authorised by the Board of Trade was earmarked for the London region—an area which extends roughly 30 miles out from Charing Cross. The boom in the Birmingham area is smaller but of longer standing; industrial development in the West Midlands region has accounted for about 12 per cent of new factory space licensed in the last three years.

The chart shows quite plainly why these increases have occurred. In the early postwar years, much industrial development that would otherwise have taken place in or near London and Birmingham was steered by Board of Trade controls into the development areas. But recently the employment needs of the development areas (which used to be called the distressed areas) have seemed less pressing; and the controls have therefore been considerably relaxed. The Board of Trade does still generally refuse to admit new firms into the London region; but it does very little to check the real force behind London's new industrial building, which is the demand for extensions by the prosperous businesses already there. It is now a very rare thing for any of these firms to be denied permission to expand their activities locally.

It is not self-evident that such a policy is wrong. There are many people who would argue that, since the hope of economic progress rests upon investment in success, nothing should be done to obstruct it. And if a successful firm on the Great West Road is told that it may not expand on the vacant site next door, but should go to the other end of the country, the result may be that the expansion does not take place at all. But it is important to look at the problem also from the point of view of the Ministry of Housing. For some years now employment has been increasing in the big cities—and especially in and near London—both absolutely and as a proportion of the national total. When the new factory projects recently licensed for this region have become bricks and mortar, this increase in employment is certain to be accelerated, perhaps



very considerably. And this is liable to make nonsense of the principles on which present town planning policies are based.

It will make nonsense, for example, of the idea of a broad green belt around the big cities: a green belt, however excellent in theory, is merely a mischievous and ineffective restriction if it gets in the way of a vast number of people striving to live reasonably near their place of work. Even more obviously, it will upset

the development plans of such unfortunate bodies as the London and Birmingham councils. Partly because of the need to replace their densely packed slums by modern buildings—but still more because of the need to make extra land available for roads, schools, parks, and congested industries—the population housed within the present boundaries of these two cities will fall, considerably and inevitably, over the next twenty years. Bigger and higher blocks of flats in the cities might slow this fall, but not by much. The London County Council estimates its overspill or export surplus between now and 1975 at 330,000; Birmingham estimates its at 250,000. Both authorities, particularly London, are surrounded by other congested areas facing similar problems. But, clearly, if all these people—and some more besides—continue to work in or near London and Birmingham, houses will have to be provided for them well beyond the present urban boundaries. The new suburban sprawl in the next fifteen years therefore threatens to dwarf its prewar counterpart, and the only effect of the Green Belt will be to drive London's tentacles still further out into the country. The Ministry of Housing's policy—and that of all the local authorities concerned—is based upon the belief that this would be a very bad thing.

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The result, of course, is that the Ministry, and the local authorities under its wing, is now trying to follow a policy that is diametrically opposed to the *laissez faire* ideas of the Board of Trade. For some time, firms that have got Board of Trade permission to expand in London have found it more difficult to overcome objections from the local planning authorities than firms that have got Board of Trade permission to expand elsewhere. But Mr Sandys is now taking more positive additional steps. He has strengthened the LCC's hand in its attempts to modify the enormous expansion of office accommodation now occurring in central London. He is cutting the provision of new industrial land in congested cities as specified in their plans. He is urging the LCC to acquire vacated industrial premises so as to forestall their reoccupation. This last point, indeed, emphasises the absurdity of the present situation. At considerable cost (of which it would have to bear half itself) the LCC is being encouraged to convert away from industrial use any factory that falls vacant, in order to ensure that there is less industry in its area; while at the same time the Board of Trade may be allowing two new factories to be built down the road, in order to ensure that there is more. A basic contradiction in public policy has therefore become apparent.

It is usually a course of weakness to suggest that a committee or commission should look into a particular problem. But the Barlow recommendations are now fifteen years old; like so many wartime reports, they belong to an age which had had no experience of the new

administrative and industrial revolutions. What would a new inquiry be likely to recommend? It would, presumably, come to one of four conclusions:

(1) It might reiterate the original Barlow recommendation, and remind the Government exactly what that recommendation was. It was that Board of Trade controls over location should be limited to the power to restrict industrial growth in places where it was clearly undesirable, starting (and possibly finishing) with the London area. A resuscitation of the Barlow recommendation now would confine Board of Trade controls to a much narrower front than at present, but would make them fully effective there.

(2) Alternatively, a new inquiry might recommend that the Board of Trade's controls should be scrapped altogether; it might point out that the powers possessed by the local planning authorities would suffice on their own to limit industrial growth in the most congested areas, if they were harnessed to this task under national supervision. If Mr Thorneycroft were to lay down his responsibility, Mr Sandys would get the opportunity to lay down policies—and they would be policies that were consistent with the rest of his programme. This, however, would mean that controls of considerable economic importance would be wielded by a department that need not be sensitive to industrial requirements, which does not seem very wise.

(3) An inquiry might suggest that there should be more emphasis on inducements, and less on controls, in implementing the Barlow policy. For example, public money might be spent on setting up trading estates and other industrial facilities in areas that seemed to be well placed to attract workers away from London, Birmingham and other crowded cities.

(4) Finally, an inquiry might recommend instead that the Barlow principle should be virtually abandoned, in order to lift restraints on industrial investment in an economy that needs investment so urgently. But, if this were done, several other aspects of the Ministry of Housing's policy would have to be abandoned at the same time: plans for green belts would have to be drastically modified, there would have to be more emphasis on building large blocks of flats, and so on. The economic, as well as the social, cost of any such policy would have to be carefully weighed. It would be likely, so far as London is concerned, to be very considerable.

It has not been the object of this article to say which of these courses should be followed. The issue is, indeed, a very difficult one, as it always is when economy and amenity conflict, since the two opposing sets of arguments, being on quite different planes, never make direct contact with each other. The only dogmatic statement that can be made is that the present course should not be followed any longer. This course is for the Ministry of Housing to remember that the Barlow principle exists, and for the Board of Trade (which operates the key control) to forget it: for Mr Sandys to put on the screws while Mr Thorneycroft takes them off. The two Ministers would be wise to get together, or else ask for a new committee to arbitrate between them.

Notes of the Week

Labour's Unprofitable Hush

A LOUD hush can be heard in the Labour party as everybody is busy making alliances with everybody else, in order to show what a moderate chap he is. Mr Bevan even had a *soirée* with Labour's group of trade union MPs this week. When Mr Attlee agreed to stay on in the party leadership for a few months, his professed object was to secure a breathing space for armistices of precisely this kind. But at what cost to Labour's future are they being won? One casualty of this frigid peace may be the "rethinking" of policy. It has now fortunately been confirmed that the working parties which are to undertake this re-thinking will co-opt sympathisers from outside. It is to be hoped that the newcomers will bring in some fresh ideas, for they are going to be badly needed. Mr Griffiths indicated at a press conference last week that his conception of the terms of reference for one of the first of these working parties—that on "equality"—is that it should set out along the old, familiar, dead-end road of trying to think up new taxes to soak the rich. It is quite clear that he considers that these reports will have served their purpose if they are publicity documents that avoid giving offence to the various shades of emotion already contained in the party. Unity is regarded as the most important objective now.

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The same blight threatens re-thinking about organisation. Here some outsiders have got the impression that, by pushing the party's nose down to the policy grindstone, Mr Morgan Phillips has pushed aside the dagger aimed at the heart of Transport House. This is not quite fair. Nominally, at any rate, the main proposals of the Wilson committee have been accepted, although little enthusiasm is being shown about such awkward matters as improving the lot of agents in marginal seats at the expense of those in safe areas. The one proposal that has definitely been dropped is a less grievous casualty than might appear at first sight. A special standing sub-committee to run the organisation is not, after all, to be set up; but the existing organisation sub-committee should be able to do the job quite well, now that an important change is to be made in its constitution. Hitherto the chairman of this committee has been the chairman of the party (and he, of course, has been far too busy to exercise any control over Transport House); but now the committee is to appoint a chairman of its own. Moreover, a special sub-committee is to be set up to deal with regional and field organisation—and it will consist of the Wilson committee, plus the new chairman of the organisation sub-committee (a job which Mr Wilson may still get).

It is, however, quite true that this chosen structure will not push Mr Morgan Phillips himself as far out into the snow as Mr Wilson had originally wished. But Mr Wilson, although he must be annoyed at some of the recent manoeuvres of old party-stagers against him, apparently does not want to be beastly to Mr Phillips now. The blunt fact is that the more active spirits in the party are beginning to feel that unity can best be maintained by not taking the most embarrassing—which mean the most effective—steps towards establishing a new policy or a new organisational structure. Mr Attlee should consider very carefully whether this really is what he was aiming at when he decided to defer his retirement. These are the months of the lotus eaters, and they should have been months of reform.

Competing Over What?

TWO things were made clear in Wednesday's debate about restrictions on broadcast discussions. One was that most backbenchers were seething with a quite unparliamentary resentment, although it was a resentment that was generally urbanely expressed. Much of this resentment was directed against fellow-MPs whom the BBC regard as airworthy, but it was also vented against newspaper editors who regard themselves as "directors general of the nation." It is a natural human failing to regard a forthright statement by anybody with whom one does not agree as an example of intolerable bossiness; but it is a terribly dangerous thing to reach for statutory powers to put that bossiness down.

The second point was that nobody seriously tried to pretend that broadcast discussions by outsiders may prejudice voting in Parliamentary divisions; while what Sir Robert Boothby says in a broadcast discussion could conceivably influence the way in which Sir Robert Boothby votes in a division, Sir Anthony Eden's vote is hardly likely to be prejudiced through his having been mesmerised, within the preceding fortnight, by Mr A. J. P. Taylor's face. The principal, and revealing, argument advanced by both Dr Hill and Mr Attlee was that broadcast discussions may compete with, not prejudice, Parliamentary debates. This would be true only if MPs designed their speeches in Parliament as propaganda to lay before the people, instead of as representations to the Government of what the people wants (or ought to want); perish that thought, even if it too often happens to be true.

Meanwhile the problem is to go before a Select Committee, though with the specific understanding that "the principle of some limitation to the anticipation of Parliamentary debates" is desirable. The members of the Select

Committee would be wise to begin their task by re-reading the speeches made in Wednesday's debate; and by taking note of the manifestations of some MPs' subconsciousnesses that have now been left as litter on the floor of the House. Nothing that was said during the debate justifies the contention that any restriction of free speech on the air can be in anybody's except individual MPs' interests. Those who are not MPs are justified in getting very angry about this decision to continue the gag.

Forward to Tax Reform?

MR BUTLER'S speeches during the committee stage of the Finance Bill have been interesting chiefly for the light they may throw upon the broad state of Government thinking about the purchase tax and the profits tax. Early on in these debates Mr Gaitskell had said that he feared that Mr Butler might intend to move from the present differential purchase tax towards a flat rate sales tax levied on all commodities; and he intimated that the Opposition would bitterly oppose this. It is impossible to avoid the suspicion that, in making this accusation, Mr Gaitskell was seizing a fairly simple opportunity to be a prophet. It would be easy for him to remember what his expert advisers were recommending as future broad objectives during his own days at the Treasury, to hint darkly that the Government might progress towards them, and to say in advance that this would be a very wicked thing to do.

But his tactics have had some interesting results. Two weeks ago Mr Butler said that although "at present no decision has been taken" about a sales tax and although there are no "ready-made schemes" in his pocket, yet "there is plenty for the present Government and a future Government to consider." This week he said that he would "make bold to suggest that tax critics and tax experts in the future will not be ungrateful to me for . . . broadening the scope" of the present purchase tax, by bringing in some articles previously exempt. This new breadth does, of course, make the transition to a sales tax easier.

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As regards present profits taxes, Mr Butler said this week that he thought that "it would have been a very good idea" to adopt the recommendation of the Royal Commission on Taxation that he should replace them by a corporations' tax (i.e., a flat percentage tax on companies' profits, which would not vary according to the way, and the form, in which profits are used for distribution or for ploughing to reserve). But he indicated that he had shied away from any good ideas this time because he felt that he could not "encourage" dividend distributions in a Budget that was meant to restrain consumption. He went out of his way, however, to pay tribute to the way in which both the majority and the minority of the Royal Commission had performed their work, and to make clear that the commission's "conclusions are not prejudged by this Budget, which is an emergency Budget." For next April, as far as profits tax is concerned, and perhaps for later Budgets as regards sales tax, there is now surely a hopeful smell of broad tax reform in the air.

Cyprus Emergency

THE declaration of a state of emergency in Cyprus is an odious and risky necessity. It is odious for obvious reasons; it is risky because the authorities may now have to choose between inflaming the situation still further by making martyrs, or making a mockery of their own pronouncements; but it is a necessity because no solution of the problem is possible until the present violence has been stopped. No British Government can let the impression arise that it has been intimidated by the outrages of terrorists. The penalties now to be imposed—death for carrying arms and life imprisonment for sabotage—may seem draconian; but the man on the spot must be allowed to decide for himself what is necessary to restore order and it is hard to imagine anyone better fitted to do this than Sir John Harding.

Mr Lennox Boyd said on Monday that the Government recognises that to declare a state of emergency does not provide a solution. This is encouraging; so are various indications that the Government is trying hard to find a solution along the only lines that now seem possible. According to unofficial reports, it has decided that it could go so far as to acknowledge the principle of self-determination for Cyprus, without committing itself to any definite date. This would be a step forward, but unfortunately Archbishop Makarios may meanwhile have to take a step back if he is not to lose all his influence to the extremists. The proposal that he made some weeks ago to the Governor—that Britain should make just some such declaration on self-determination—evidently provoked strong criticism from the more extreme Cypriots; and he may now be forced to accept their view that to agree to self-determination without nailing the British down to any definite date would amount to deferring *enosis* to the Greek kalends.

Next week the House of Commons is to debate Cyprus. Whatever the Colonial Secretary has to tell it, it is to be hoped that nobody will try to make party capital out of this very serious and tragic situation. The Labour Party, in particular, should remember that the postwar Labour ministries are every bit as responsible for the present mess in Cyprus as is the present Conservative cabinet; and that if the Cypriot nettle had been firmly grasped years ago before ever the Greek and Turkish governments stung their fingers, Britain's allies in the eastern Mediterranean would not now be at loggerheads with it and with each other, and British soldiers would not now be being murdered in Cyprus.

Pistols Out in Berlin

THE Soviet commandant in Berlin, General Dibrova, caused a flurry this week by informing his American counterpart that East Berlin was no longer occupied territory but the capital of a sovereign East German state. The American commandant was protesting against the detention by pistol-waving "people's police" of an American military car which was taking two Congressmen round the Soviet sector, escorted by a United States officer. The car was

held up because its radio transmitter was maintaining contact with the American headquarters.

It is unlikely that General Dibrova meant to announce that the four-power status of Berlin was completely ended. He would not be in office himself if it were. On the other hand, his statement, and his announcement that he would convey the outcome of the talk to the East German authorities, confirm that last September's Soviet treaty conferring "sovereignty" on the "German Democratic Republic" has unpleasant practical implications for Berlin. Soviet military rights in Berlin were retained, but all matters concerning access to the city for civilians were placed in East German hands, and an Allied protest against raising the *Autobahn* tax was referred by the Russian commandant to Herr Grotewohl. The Russians evidently feel they have here a further means of forcing recognition of the East German state. They intend to make the western occupation officials subject themselves to its laws inside the eastern sector of the city. It is nothing new for the Soviet sector to be regarded by the East German authorities as the capital of their state, and the West Germans go almost as far themselves in regarding West Berlin for practical purposes as a *Land*. But it is new for the Soviet commandant to press East German laws on western officers, and the attempt will need to be firmly rejected.

On all such occasions the West Berlin government immediately demands a fresh assurance that the western powers are determined to maintain their position in the city, and Dr Suhr has done so again. Although it is not three months since the western governments solemnly reasserted that the status of Berlin was not changed by the Soviet treaty with the Grotewohl regime, they might well send another reminder to Moscow. The American reaction on the spot has been as categorical as could be desired. But it is certain that more trouble can be expected from the "people's police." Frenzied threats have been directed against the West Berliners for their demonstration after the Geneva conference; and the British commandant has had to call on General Dibrova to prevent the "reckless use of firearms" on the sector border. The western forces will have to show that they can protect "their" Germans or even the courageous Berliners will lose confidence.

Cabinet Crisis in Bonn

DR ADENAUER has returned to the *Bundestag* after his serious illness to face a cabinet crisis which has arisen owing to the failure of the Geneva conference. The Free Democratic Party chairman, Dr Dehler, and his colleague, Herr Middelhaue, economic minister in North Rhine-Westphalia, made speeches in which the refusal of the Chancellor and Dr von Brentano to hold bilateral talks with Mr Molotov was attacked, and a revision of the Paris treaties was demanded. The chance to make joint denunciations of the Soviet government's refusal to hold free elections was lost. As a result Dr Adenauer lost patience with Dr Dehler, who frequently makes unwise speeches, and he demanded an assurance in writing that the Free Democrats would support the policy of the government to which they belong during the remainder of its period of office. He was backed by his own party and by the other

member of the coalition, the German Party, in refusing to accept verbal assurances, though President Heuss intervened to plead for a meeting with the offending Dr Dehler.

This cabinet crisis brought out the latent split among the Free Democrats, some of whom—particularly in Berlin—want to see Dr Dehler go and some new leader elected who would not toy with Mr Molotov, while others go further than Dr Dehler in the other direction. Over the whole party hangs the threat that the Christian Democrats will do away with the present electoral system in favour of something like the British system; in this case, the FDP would decline into the position of the British Liberal Party. The divergent views within its ranks account for the fact that the party issues policy declarations which are full of contradictions, with something to please Dr Adenauer in one passage and a heart-warmer for Mr Molotov and the Social Democrats in the next. This dangerous way of conducting politics leaves the German public with only one impression—that Dr Adenauer and his foreign minister have in some way failed to do enough for reunion.

Eyes on Greenock

THE by-election at Gateshead West takes place next Wednesday, and that at Greenock on Thursday. Gateshead is rock-solid Labour (majority last May, 10,339), but Greenock could be much more fun. It was one of the oddities of the last election. Before the campaign every Labour supporter, with one exception, seemed to think that it was safe. The exception was Mr Hector McNeil, Labour member for the constituency since 1941, who went round telling his friends that he was in danger of losing it. In the event, he was very nearly proved to be right. His majority fell from 5,837 in 1951 to 1,033, and the swing to the Conservatives of 5.7 per cent was the seventh largest in any straight fight in the country. In the present by-election, which has been made necessary by Mr McNeil's death, the Conservatives have only to mark up a further swing of 1.4 per cent to capture the seat.

They probably do not really expect to get it. Many psephologists, who seem to be very annoyed with Greenock for so untidily and inexplicably exceeding both the national and the regional trend last May, believe that this must now be one of the hardest marginal Labour seats to overthrow;

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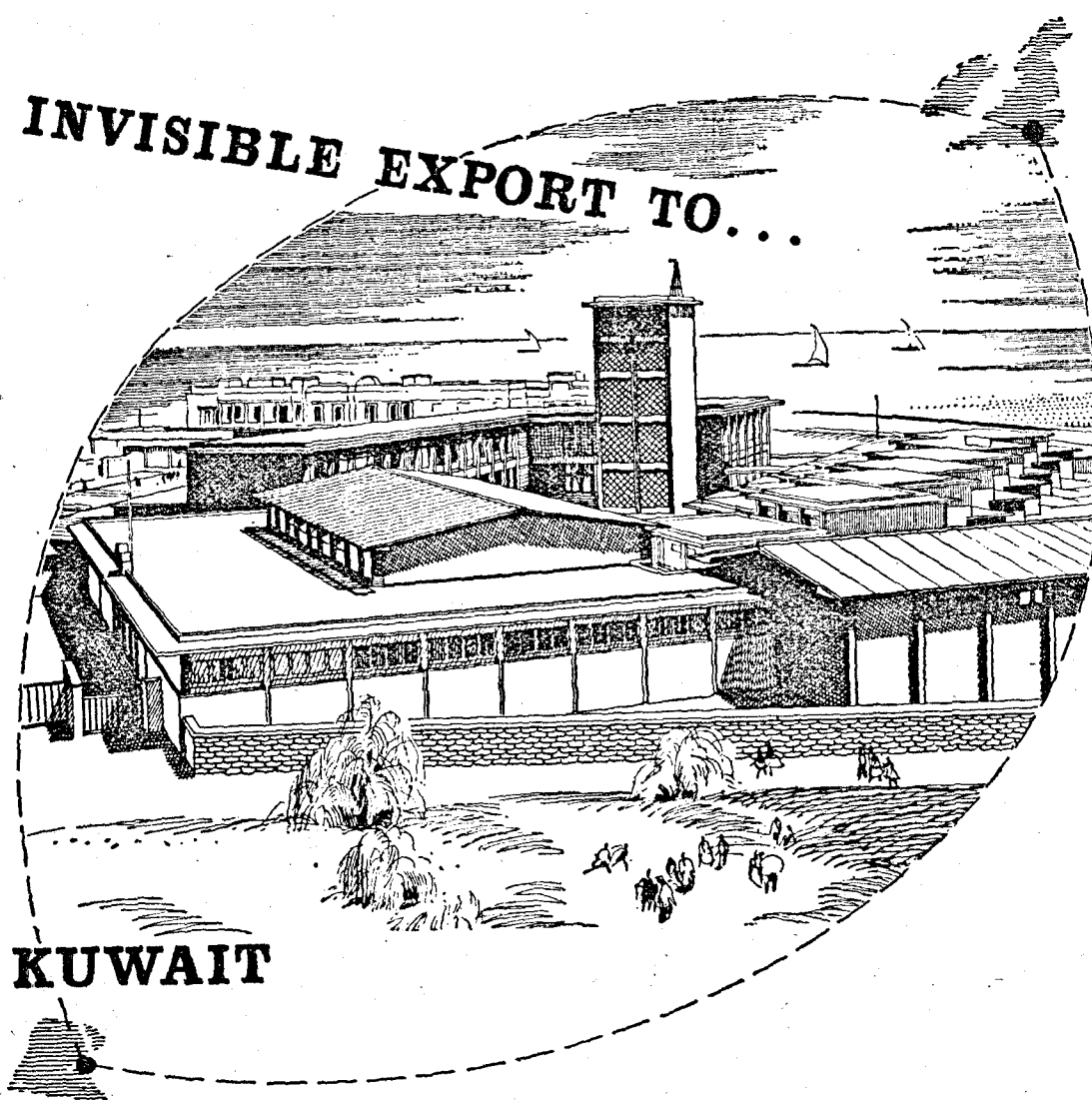
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they say that the swing to the Conservatives which it showed last May should be enough to satisfy it for many years. There are also the usual suggestions that the general election result was due to Labour apathy (although the turn-out of nearly 78 per cent was, in fact, slightly above the national average). The general expectation therefore seems to be that Greenock will elect, with an increased proportion of the poll and possibly an increased majority, Labour's Dr Dickson Mabon—who is described locally as a "clever wee man," at a time when Labour at Westminster badly needs clever wee men, especially those who are aged only thirty. In view of the strange things that happened last May, however, Labour cannot count this chicken before he is hatched; although why it cannot, in a constituency which it has held since the 1930s and which seems to be largely characterised by tenements and grime, remains one of the peculiarities imposed upon the electoral map of Britain by the last general election.

More for the Needy

IN the leap-frogging advance of national insurance benefits and national assistance scales, national assistance will shortly be on top again. This week, new scales, to come into force on January 23rd, were announced; they raise the allowance for a single householder from 37s. 6d. a week to 40s. and for a married couple from 63s. to 67s., with varying increases for dependants and for the blind and the tuberculous.

When the better off pensioners got their weekly rise of 7s. 6d. (11s. for a married couple) before the election, those on national assistance got an increase of only 2s. 6d. (4s. for a married couple). Although politics largely dictated this course—there are more unassisted pensioners than assisted—it could find one justification in the statistics. The increase in ordinary pensions lifted them to a level that more than compensated them for the increase in the official retail price index since 1946—it was in fact equal to the rise in the cost of living index of the London and Cambridge Economic Service. National assistance scales, after their 2s. 6d. rise, were about 88 per cent greater than the supplementary pensions paid by the Assistance Board in 1946, whereas the most that any appropriate price index could be said to have risen by the autumn of last year was 70 per cent. This was the rise registered by the cost of the subsistence items in the official index of retail prices (subsistence being taken to mean food, clothing, fuel and light, but not rent and rates because the assistance scales are not intended to cover these, which are met separately).

But ever since 1948, when the national assistance scheme replaced supplementary pensions, the changes in the Board's scales have tended to anticipate future rises in prices as well as to compensate for past ones. This week's decision continues that policy. By October of this year the continuing rise in the cost of subsistence had very nearly caught up with the rise in assistance scales since 1946. The new scales will thus restore a margin to meet further price rises. This is the right policy, and the Opposition is justified in pressing the Government to step up its pace. But this can only be done if there is a holiday in demanding parallel advances for those old-age pensioners who are not in need.

Potato Politics

MR HEATHCOAT AMORY's decision to allow imports of potatoes to start shortly has brought a sharp protest from the National Farmers' Union. Last year no imports were allowed until late in the season. This year the home-grown crop of potatoes is much smaller and crops are also light on the Continent. The Ministry has acted now to ward off the danger of scarce supplies and high prices later on this winter. The farmers, however, have complained that such promptitude may "affect the growers' market for his crop adversely," and could even "defeat the object of the guaranteed price system introduced this year."

This is blatant nonsense. Potato growers have been guaranteed that they will get minimum prices (at present £10 12s. 6d. a ton), which will provide them with adequate protection in periods of plentiful home supplies. The disposal of surplus potatoes on these occasions is likely to involve the taxpayer in a heavy loss. But in periods of relative scarcity, like the present, market prices rise above the guaranteed prices. The farmers cannot seriously regard it as part of their deal with the Government that they should be allowed to reap the highest possible prices in periods of scarcity, as well as getting the support of guaranteed prices in periods of plenty. Even this year, in making his announcement, Mr Heathcoat Amory has declared that imports will be controlled, so that prices of good quality potatoes will not "be depressed to uneconomic levels"; this, of course, is newspeak for saying that prices of British potatoes will still not be brought down to economic levels—in other words to the world market price.

The real lesson for the public is that potato-growing in Britain is already dangerously over-protected. Quite apart from the assistance given by the Government guarantee and the close regulation of imports, the reconstituted Potato Marketing Board has powers to limit the acreage under production. This power may also be used to force up prices, although its use seems certain to reduce farming efficiency by interfering with the growing of potatoes in crop rotations. Far from needing more protection, potato-growing in Britain would profit from rather less.

"Le Commonwealth"

THE French saying, "*le dieu défini est le dieu fini*," is remarkably apposite to the Commonwealth—a word as untranslatable into French as the French pun is into English. Indeed, "Commonwealth" in its modern sense is untranslatable into any language; and this in itself is an advantage, since it discourages attempts at a definition which, whenever one is made, always offends one or another of the members of the club. The word, like the thing-in-itself, rises unique and inexplicable above logic or consistency; but it works. Its members, all seeing it as something slightly different, and working it in different degrees, are convinced of its value; their conviction convinces outsiders. Burmese and Indonesian delegates to the recent meeting in Singapore of the Colombo Plan (which,

be it noted, started as a Commonwealth mutual aid arrangement and now extends far beyond it) solemnly impressed on Mr Marshall and Tengku Abdul Rahman, the chief ministers of Singapore and the Malayan Federation, that whatever they did they must hold to the Commonwealth.

Not only is the word Commonwealth untranslatable; it has now no face value in English: it does not imply, for instance, re-distribution of national income among member-states. Its seventeenth-century application to a republic with "levelling" tendencies had rather more meaning when it was adopted by the Australians for their federal state, for under that bond of federation the large states had to subsidise the small. (The Australians, with their ideas of a more closely knit empire, thus created a Commonwealth, while the Canadians, with their strong feelings against any formal, imperial organisation or central secretariat, shaped a Dominion, a Kingdom, and a Realm.) And the man who first applied the word to the changing British Empire was in fact a federalist and believed in a federal, or shared, empire. Lionel Curtis, before his death last week, saw the word shed all such meaning and cast off even the towline that linked it with the word "British." But to have found the one word which could comprehend and leave workable but indefinable the new relations between Britain and its growing number of ex-dependencies is not the least claim of a remarkable servant of the British people to be remembered with respect and gratitude.

Brown Study in Budapest

IN Hungary Mr Rakosi seems to be firmly in the saddle again; and since his return from a visit to Moscow he has been making his weight felt (and presumably carrying out his masters' orders) on the economic front. Last month the central committee of the Party met and, after hearing a report from him, passed a long resolution on the improvement of industrial production; and shortly afterwards the National Assembly sat through a whole series of speeches that summed up past achievements and failures and mapped out the way ahead. But for the planners in Budapest the way ahead, even with Mr Rakosi to guide them, looks sombre and murky.

Hungary, like most of the satellites, is supposed to start next year a new five-year plan that will be co-ordinated with those of the Soviet Union and the rest of the bloc. But only the annual plan for 1956 is ready, and although the full five-year plan has not been abandoned, there is visible pessimism about the date of its completion. According to Mr Berei, the president of the National Planning Office, the reason for the delay is the amount of "deep and profound study and work" that is necessary. Hungary is not the only satellite to find difficulty in drafting a five-year plan in accordance with Moscow's present wishes; but its task is particularly hard because since 1953 economic policy in Budapest has suffered from more violent oscillations and internal conflicts than elsewhere in the bloc. It is true the Hungarian spokesmen claim that the present year has been a turning point in the development of their country's economy, but they hasten to add that this is only by comparison with the "stagnation" of 1954 when Mr Nagy was trying to introduce the "new course."

Mr Nagy, indeed, has become a general-purpose scapegoat—even though he is still seen at the opera. It is he who is blamed for the planners' gloomy estimate that no great improvement in Hungary's economic situation can be expected next year. Another reason that is not mentioned is the sharp switch back to heavy industry that is contemplated. Nearly 40 per cent of total investments are to go to heavy industry, whose output is to increase by over 10 per cent, while that of the light industries is actually to decline by 3.8 per cent. The arguments that are produced to show that the supply of consumer goods will not be unduly affected by these changes are not convincing; and if the Hungarian worker finds that Mr Nagy's promises of higher living standards are so short-lived, it is unlikely that he will feel moved by the central committee's call for harder work and higher productivity.

Two Tickets to Kashmir

ALL the turbulence of recent years has not prevented Kashmir from remaining a favourite resort for Indians seeking to escape the summer heat of the plains. At this time of year, however, the valley of Srinagar is less frequented. India's Soviet guests may, admittedly, feel in need of a few cool days, especially after their trying time in Calcutta, where the same "masses" whom they profess to champion got too close for their comfort. But India can offer them many hilltops on which only a cool wind would blow in their faces. Their insistence on extending their original timetable in order to visit Kashmir can be interpreted only as a further experiment in embarrassing their hosts.

Unseasonable as their proposed visit may be, it is well timed for political trouble-making. A few months ago there was clamour in Pakistan for a "liberation" march into Kashmir, inspired by the similar Indian march into Goa in August. The prime minister, Mr (formerly Chaudhri) Mohamad Ali, quickly provided a lightning conductor for some of this pressure by announcing that a national conference on Kashmir would be held in Karachi. The conference, which ended this week, was an orderly affair, but it inevitably passed trenchant resolutions denouncing India's obstruction of a plebiscite for the Kashmiris; and in the streets outside, crowds shouted for a *jehad*—a holy war to free their fellow Moslems. The Kashmiris themselves have lately shown fresh signs of restlessness, and the Bakshi government (which was installed in Srinagar by the Indians after their original nominee as premier, Sheikh Abdullah, had been jailed for insubordination) has arrested many leaders of the campaign for a plebiscite.

Mr Khrushchev and Marshal Bulganin could hardly have been expected to overlook this opportunity. Systematically, almost by rote, the Soviet government is exploiting every local conflict in Asia. It has inflamed the Arab-Israeli frontiers, encouraged the Afghans to step up their "Pakhtunistan" campaign, and now it has its finger in the Kashmir pie. It foresees, no doubt, that any Indian irritation this may earn it will be forgotten once a bluff Khrushchev speech in Srinagar has incensed Pakistan and the Pakistani reactions have incensed India. Thoughtful Indians may, however, note that Mr Mohamad Ali has meanwhile been invited to Peking; and they may deduce that their two "peace-

loving" visitors' aim is not simply to endorse India's stand on Kashmir, but to exploit yet another conflict between non-Communist nations for their own profit.

Rings Round the Milk Rings

PERHAPS the most revealing—although possibly the least publicised—feature of the latest report of the Committee of Public Accounts is its criticism of some milk suppliers for refusing a discount on milk supplied to schools. Local authorities have been responsible for supplying milk in schools since October, 1954, when they took over that duty (imposed on them by the Education Act of 1944) from the Ministry of Food. The Ministry of Education then said that it expected them to get competitive tenders for the supply of milk, as they do for the supply of the many other things that they buy in bulk.

The Ministry was quite right to insist on this. Local authorities can reasonably expect a discount; they buy a million gallons of milk a week, and their annual bill is some £10 million. Even when allowance is made for the cost of putting the milk in bottles of one third of a pint, and putting a straw in each, the cost of delivering 300 or 400 bottles at one place is clearly much less than delivering the same number at separate houses. But the milk suppliers argue that the farmers, after all, have their fixed prices, and that their own margin was fixed on the basis of the maximum retail price. Some retailers who did offer a discount were presented with an ultimatum by the wholesalers, who threatened to cut off their supplies. In London, where, as the committee says, the economies of distribution are highest, four big firms supplying 75 per cent of the school milk have all insisted on the maximum retail price. They were: two champions of free enterprise, United Dairies and Express Dairies; and—just to make this matter non-political—the London and Royal Arsenal Co-operative Societies.

A meeting between representatives of the local authorities and the milk trade produced no concessions. But where the councils have tried toughness, toughness has paid. About a quarter of the local authorities have got their discount by refusing to buy at the maximum retail price, supplying in the meantime either milk tablets, dried milk, or nothing at all. Children replete with school dinners will hardly suffer if they drink less milk for a week or two, and those authorities that have not yet taken a firm line would be well advised to do so. Freedom to bargain works.

University Bulge Ahead

IN his address to the Court of Liverpool University this week the Vice-Chancellor, Sir James Mountford, referred to the launching of an appeal for funds, and produced some telling statistics to show how necessary it is that private and industrial generosity should supplement state aid to the universities. He reminded his audience of figures

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already published in the report of the University Grants Committee, showing that the real value of university building completed in the quinquennium 1947-52 was perhaps a quarter of the original estimate of £40 million which was accepted by Dr Dalton as representing the need.

At that rate, and on the basis of 1947 prices, in the seven years 1947-54 the universities ought to have had £56 million expended on their buildings. Yet within that seven-year period, when building costs have risen steeply, they have, in fact, had only £22.5 million expended on them for that purpose.

And that £22.5 million represented £15 million or less at 1947 prices.

The congestion is therefore already acute. But the future is much grimmer. More and more pupils stay at school until they are 17 or 18; and the "bulge" now filling the schools will be clamouring at the gates of the universities from October, 1961. The number of freshmen will then rise each year until 1966; as students stay for three or four years, the total university population will go on increasing up to 1970. Sir James Mountford estimates that even by 1963-64 it is likely to be half as large again as it is at present.

There are, of course, some things that Sir James did not say. It is arguable that the existing universities might be wise to raise their standards rather than to digest all the numbers who, at present standards, would qualify for entry; that the expanded and upgraded technical colleges, and perhaps some new university institutions, should have a greater share of them; and even (dare one say it?) that the universities might get more money from the Treasury if they submitted to even a portion of the cost control over building operations that is obligatory for the schools. Moreover, it is only very recently that the universities have shown their awareness of the "bulge." But it is impossible to deny the logic of Sir James's principal conclusion. If the "bulge" is to be accommodated in the universities, building for them ought to start now.

Delay on the Gold Coast

THE manoeuvres of the Gold Coast opposition groups, the National Liberation Movement and its allies, only make sense if their policy is to delay the granting of independence at any cost. The purpose of Sir Frederick Bourne's present mission to the colony is comparable to that of Sir Keith Hancock's mission to Buganda last year: it is to get all parties to agree on a constitution to be enacted by the British Parliament. But the NLM has steadfastly refused to meet Sir Frederick, although he has informally seen most of its leaders. The party sticks to its demand for a constituent assembly to create a federal type of government. Its latest excuse is that the present legislature has shown its "abject" subservience to the Convention People's party by bringing in a bill that would infringe the power of the Asanteman Council. This bill would give lesser chiefs in Ashanti the right to appeal in disputes to the governor in his discretion—a right long possessed by lesser chiefs elsewhere in the Gold Coast.

Meanwhile the country remains disturbed, and the dilemma before the British Government grows. It has

hitherto been assumed that the Parliament at Westminster will be willing to enact independence for the Gold Coast only if Sir Frederick can come back with an agreed scheme, which would contain safeguards for minorities. But the NLM does not believe in written safeguards; it thinks that Dr Nkrumah would be about as reliable once his powers are sovereign as Mr Strydom is. What happens next? It will be difficult to keep the country poised indefinitely on the verge of independence. Tension would rise even higher, more bloodshed would be likely, and the hopes of the Colonial Office to get this first African "Commonwealth country" away to a flying start would be destroyed. MPs here might be wise to say that obstructionism must be over-ridden—but this may mean not only that the NLM must abandon its federalism but that the CPP must at least concede a general election before independence.

Herr Abs on the Credit Squeeze

FEDERAL Germany's leading bankers have a very sound appreciation of the common interest which Britain and Germany share in maintaining each other's prosperity. Herr Abs, whose words receive nearly as much attention as those of the head of the *Bank deutscher Länder*, Dr Vocke, has made some pronouncements recently which may make wider circles realise their countries' interdependence. At the autumn Frankfurt Fair he reminded German businessmen that as a great proportion of their trade is negotiated in sterling, they should not operate against it. "We should talk of 'our pound,'" he remarked. This was an unusual thought for his audience.

More recently, Herr Abs has dealt with current German moves to counter inflationary tendencies, and has again shown his audience how closely British conditions are being watched. Speaking to businessmen in Mannheim on November 15th, he fully agreed with the Bank of England that the high degree of taxation and public investments make credit restrictions less effective than they used to be. Herr Abs joined the liberal economists who sharply criticise the federal, *Land* and local authorities for collecting large surplus funds, which they hoard or spend wastefully. They bear the major responsibility, he said, for the success or failure of the central bank's present credit restrictions. Though the maximum German income tax is only fifty per cent, Herr Abs pronounced firmly in favour of further reductions, which in his opinion would not have an inflationary effect. In a phrase which will echo round the country, he declared "A million taxpayers behave more sensibly than one public authority." His dictum is more likely to be true in Germany than in Britain, where taxpayers are not so thrifty by nature. The continued rapid growth of savings in Germany is clear proof that there is no inflation in the sense which Germans give to the word.

As Herr Abs and Professor Erhard have recently pointed out, "overheating" of the German market has taken place only in some sections of industry. Herr Abs emphasised that restrictions do not hit only the "bad boys" who continue to use short-term credits for long-term investments. They carry on the practice because it is still cheaper than to fund or repay debts, and they go on investing in plant—however unnecessarily—because the expenditure can be

written off against profits for taxation. The restrictions also hit firms who are struggling to build up a normal capital structure without resorting to undesirable means.

The measures taken in Germany are not yet as severe as in Britain, Herr Abs declared, but a potentially valuable part of German industry is relatively vulnerable to credit restrictions. For this reason Herr Abs, though he fully supports the measures taken hitherto, warns Germans that their future is even more dependent than in other countries on the restraint they exercise over wages, prices and investments.

Reprisals in Buganda

FIVE section chiefs in Buganda, who between them are responsible for collecting two-thirds of the province's revenue, are to go before the new Buganda appointments board or have already resigned in the face of hostile demonstrations and newspaper threats. This follows a period of victimisation of lesser folk who supported or are alleged to have supported the British authorities during the Kabaka's absence. The Kabaka has himself asked the people to forget the past; and a rather extraordinary joint appeal has been made by the governments of Buganda and the Uganda protectorate, in the names of the Katikiro and chief secretary respectively, for the maintenance of law and order. Evidently the average African's idea of the Hancock agreement is simply that the king has come into his own again. In an African despotism this involves settling scores with those on the losing side—chiefs and others who, having an official position, were bound to carry out the protectorate government's behests and who had trusted to the British authorities to protect them.

It remains to be seen whether these reprisals indicate a settled policy of restoring the Kabaka to his former position of power, within the paper forms of the new constitution. The *saza* chiefs are now civil servants, and cannot be removed at the Kabaka's pleasure; but the behaviour of the appointments board will show the lines along which the "king's friends" are thinking. If the Kabaka informally but unwisely asserts his power in Buganda on the one hand, while on the other the new legislature serves as a forcing house of political personalities, new and ugly strains could quickly be imposed on the relations between the province and the protectorate.

Storm Nearing Capetown

THE result of last week's elections to the reconstituted South African Senate was a foregone conclusion. The Nationalists had already eliminated the system of proportional representation and equality between provinces in the upper house, which was one of the essential conditions for the union of the four provinces in 1910; they were thereby assured of a heavy majority. The formality of the Free State and Natal elections and the appointment of the nominated members need not be awaited, for it is obvious

that the government will command the required two-thirds majority of both houses of parliament, which it needs to amend the "entrenched" clauses of the constitution.

But it is a somewhat hollow victory for Mr Strydom because, in the process of "establishing the sovereignty" of the South African parliament, he has succeeded only in undermining its standing both in the Union and in the world at large. Every act forced through by the new Nationalist steamroller, even if its legal status is established beyond dispute, will be regarded as immoral by all but the convinced Nationalists. But even at this late stage the legality of Mr Strydom's manoeuvre has not been fully proved. The opposition United Party has been seeking legal opinion, and it may seek an interdict from the Supreme Court to prevent the new Senate from sitting. Other legal steps are also in the offing. While no one would wish the courts again to be drawn into the political arena, that may unfortunately be necessary, as experience has shown that the most powerful force restraining the government is not the political opposition, but the non-political, incorruptible, and highly courageous judges.

With the constitutional issue again in the forefront the coming session of the South African parliament, which is due to open on January 13th, is certain to be stormy. Moreover, the government, which has been thoroughly nettled by the United Nations' assertion that its *apartheid* programme is making slow progress, is determined to

Talks with the Russians

To those writers and orators who are so irrationally and inopportunistly clamouring for peace, we have a few brief, clear words to say. In the first place, Russia has offered no proposals: none, therefore, are before us either for acceptance or rejection; and to describe us as repudiating her desires for an accommodation is simply false. In the second place, these gentlemen are anxious for a termination of the war either on satisfactory or on unsatisfactory terms: if the latter, they are self-condemned; if the former, we and all England are with them. For, we repeat, as we have over and over again had to remind our opponents, no party of any weight or consideration in this country is desirous to protract hostilities one day beyond the time when their true, original, ostensible object has been accomplished—viz., the security of European peace and independence by the complete deliverance of Turkey and the incapacitation of Russia from further aggression. . . . Let there be no self-deception in so grave a matter. There can be no delusion unless we wilfully delude ourselves. Is Europe independent and emancipated? Is Turkey safe? Is Russia amply warned and permanently baffled? The war has proved the resources and unmasked the designs of our enemy: has it yet conclusively vetoed those designs and exhausted or diminished those resources? Have we the slightest reason to believe that Russia is prepared to propose or accept such terms as will secure the abandonment or the defeat of her designs? And, above all, is it not perfectly certain that if the Allies were now to retire from the contest on any terms short of such, they would virtually be confessing to a failure, and be giving a tacit sanction and submission to the future consummation of projects which they had proved too feeble, or too poor, or too un-persistent to forbid? Now, or never, must Russia be told, once for all, "Thus far shalt thou go, and NO FURTHER."

The Economist

December 1, 1855

prove this false and intends to introduce a number of new racial measures. Among these is the bill designed to segregate European and non-European trade unions, and it is rumoured that the government will also bring forward its proposal to segregate white and black universities. A period of acute tension is in prospect.

Between Inertia and Hysteria?

To hold the civil defence corps together is no easy task. The new Home Office circular to local authorities sensibly faces some of the facts of the situation. It recognises that a large proportion of the strength of the corps is now on paper only; and asks local authorities to find out just how many volunteers are still serious in their intentions, without applying unreasonable tests of absenteeism. It also puts forward a new and shortened form of training, under which volunteers will go immediately to the section for which they have opted, instead of taking a general training first; it is this general training which has caused some volunteers to complain of the "indefinite" nature of their duties. Spare-time trainees are more easily kept interested if they pick up their general training while fitting themselves for a particular function (rescue, ambulance, etc.) of obvious relevance in an emergency.

But, of course, the real difficulty is the atmosphere of unrealism that surrounds any civilian training for thermonuclear attack. Lord Mancroft told the House of Lords this week that there could be no statement of the Government's full strategy for civil defence until the defence white paper appears next February: this will be acceptable only if his statement implies that the new policy, which he defined as "a realistic middle course between inertia and hysteria," is then at last made reasonably clear. Civil defence policy has inevitably taken time to think out, but the impression has been given that it is one neither of inertia nor hysteria, but of vacillation and despair. This has inevitably weakened the resolution both of local authorities and volunteers. The public has already discounted so much in terms of the effect of the hydrogen bomb that sensible plans for survival might even be bracing.

Stocktaking in the Services

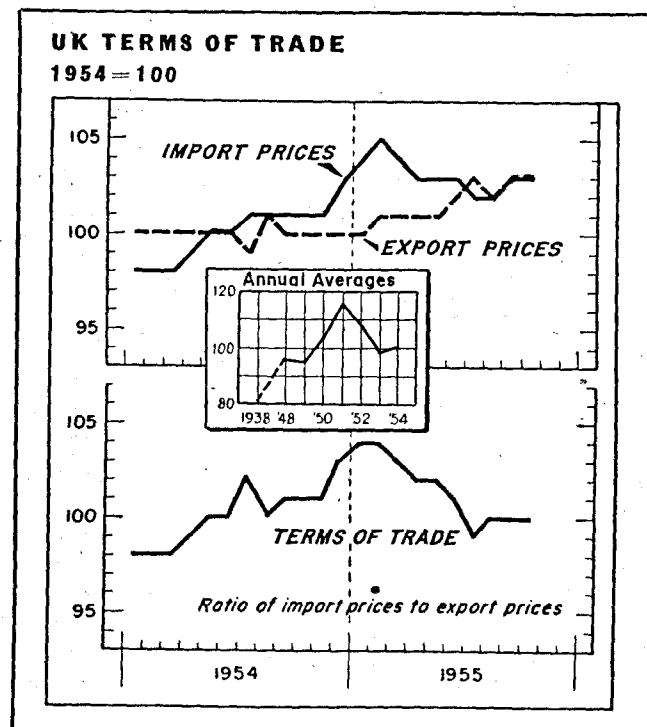
THE contrast between the average serving officer's experience with control of government stores and that of the committee of public accounts continues to be marked. On the one hand it is not unusual for a senior officer to devote an entire and wasteful morning to an inquiry into a missing petrol tank. On the other, all this red tape at the periphery apparently does not make impossible a situation at the centre in which the code number of an item (with six digits) is added into the total of the surplus in stock. As the taxpayer's watchdog over such matters the committee of public accounts has barked loudly; and the taxpayer will learn with gloom that items that cost him £1 3s. 4d. each may be assessed for resale at 6d. each. It is easier to

understand the prosperity of those who deal in disposals when one reads that stores worth £15,900 were sold for £10, that cases of new spares never reached store at all but went direct for disposal, and that a packing case loaded with engines could be sold off as an empty. It is not surprising that Cypriot terrorists can arm themselves from Army stores in transit.

The size and complexity of service operations helps to explain such deficiencies—and they are probably no measure of the far greater waste that is meticulously accounted for under the system, and is therefore beyond the committee's criticism. Better stock control is the answer; but it should be made quite clear what this does and does not mean. It will be a great pity if the services' reaction to these strictures is to extend form-filling all down the line; too many man-hours at battalion level are already spent on that. The reforms that are needed should begin as an exercise in management at the top, with simplification and mechanisation (on which the services have already made a start) as their prime objectives. Unless this is realised, the rather breath-taking revelations in the committee's report could actually do more harm than good.

Aylmer Vallance

THE death last week-end, at a relatively early age, of Aylmer Vallance removes one to whom *The Economist* of a quarter-century ago owed a great deal. A contributor for many years, he was Assistant Editor from 1929 to 1933, and was from time to time in charge of the paper. Those who worked with him retain the lively memory of an engaging personality and of a journalistic virtuosity which could add both wit and weight to almost any subject.



Letters to the Editor

Calico Printers Yield

SIR—I wish to correct a false impression which must arise from your issue of November 19th. The redundancy scheme you mention is operated by a company limited by guarantee, Print Trade Reorganisation. Its powers to purchase printworks were confined to a period of three months which ended on January 31, 1950, and the life of the company was restricted to ten years ending October, 1959. The Board of Trade made it a condition of their certifying the scheme under Section 25 of the Finance Act 1935 that neither of these periods should be extended "without consultation with the Board."

It might conceivably be possible to persuade the Board of Trade to agree to the introduction of another purchasing period and even an extension of the levy period, but such a company needs more than powers to purchase. It needs money—either from the industry or the Exchequer. In 1949 those printing firms who intended to remain in the trade were willing to commit themselves to pay levies over a period of 10 years, only because they thought they could look forward to reasonable profits in that period as a consequence of the conclusion of our Mutual Aid (Percentage Quantum) Agreement to run for the same ten years. It was for a similar reason that the Finance Corporation for Industry felt they had sufficient security for the repayment of the money which they lent to Print Trade Reorganisation.

The Government tells the cotton trade to tackle its own problems, yet when one section of it (the calico printing industry) does so without any proved harm to the country's economy (in fact with an obvious and admitted increase of its efficiency) Mr Thorneycroft then takes away the essential basis of that section's organisation.

We cannot therefore allow him any credit for having "spared" our redundancy scheme or for having withheld his "fiat" in order that "orderly arrangements" for the reduction of redundancy in the calico printing industry may still be available—because they are not. The reason for this merciful act must be sought elsewhere and it may not be difficult to find. However automatically the Board may accept recommendations based on the theories and beliefs of the "Monopolies" Commission, the Board can hardly be expected to rubber-stamp the Commission's view that an agreement which the Board certified in 1949 to be "in the national interest" became against "the public interest" four years later.—Yours faithfully,

EDWARD COPLEY
Federation of Calico Printers

The Ban on Heroin

SIR—In your note on heroin you suggest that surgeons may be opposing the ban on this drug because they dislike official interference with their clinical treatment. Obviously doctors do not like interference and prefer to make their own decisions in their own wards, but that has nothing to do with this dispute. In the Institute of Cancer Research no patients are treated, but we are in very close touch with surgeons who operate daily on malignant growths. Pain is not so frequently a symptom of cancer as public discussion would lead one to believe, but when clinicians have to deal with it they want the right to prescribe heroin, not on some point of professional touchiness, but because they are convinced that in some cases heroin relieves the pain of cancer as no other drug will.—Yours faithfully,

D. E. W. GIBB
Institute of Cancer Research

Everybody's Servants

SIR—The Royal Commission on the Civil Service 1953-55 appears to have made no attempt to convert to its "salary equivalent" the gratuity ("additional allowance") paid to Civil Servants on retirement. This is not a normal feature of industrial pension schemes as the Inland Revenue will not approve schemes including such a provision.

The lump sum paid to a Civil Servant may reach or even exceed 1½ times his average annual salary over his last 3 years of service. For an industrial employee in the surtax range to save an equivalent sum out of taxed income during his last 10 years of service, he would need at least £550 a year of additional income, and the figure would increase rapidly in the higher salary ranges.

If this factor and the non-contributory nature of the Government pensions had been taken into account the increases in salary recommended by the Royal Commission would not have been justified.—Yours faithfully,

INDUSTRIALIST

Teachers Unimpressed

SIR—Your note on teachers' pensions concluded with the somewhat surprising statement: "Compared with most of the rest of us pensioners-to-be, teachers are very lucky people now."

Since you have indulged in comparisons, perhaps I may be permitted to do the same. I readily concede that in this age of inflation those with pensions based on pre-retirement salaries have

better prospects than those whose pensions are fixed amounts. In the latter category there are few whose salaries and conditions of work are really comparable with teachers'.

It would be more reasonable to compare teachers' pension arrangements with those of other public servants, most of whom, if not all, enjoy pensions based on pre-retirement salaries. Presumably all these are "lucky," though you do not mention them. Rather you made it appear that teachers are being singled out for specially favourable treatment, whereas on the contrary teachers are receiving worse treatment than other public employees. Though the cost of all pensions has risen, no existing public employees, except teachers, have ever been called upon to pay increased rates of contributions. Perhaps teachers are not so lucky after all!—Yours faithfully,

RONALD GOULD
National Union of Teachers, W.C.1

The Market for Aircraft

SIR—In your article of November 5th, just one sentence is devoted to the short-haul market. This reflects accurately the relative public interest here in "branch" air routes as compared with the trunk routes, and particularly the ocean routes. And yet it is probably fair to say that the branch lines of the world provide air transportation for infinitely more people on any other than a seat-mile computation. Certainly, the local services play a much more important part in the life of nations. Indeed, much of the development of Australasia and South America, to name only two great areas, has in recent years been made possible by short-range air transport. The economies of Brazil, Peru and Colombia, for instance, would be in danger of collapse if their internal air services were removed.

On the other hand, if the international airlines were discontinued, no country, no organisation, no individual would be more than inconvenienced; indeed, the chief result would be that we should have to revive the almost obsolete custom of conducting our affairs by correspondence—and they might be none the worse for that!

Your single reference to short-range operators remarked that many airlines are quite content to continue refurbishing their DC-3s. They would certainly like to carry on with this remarkable aircraft, but they will not be able to. The DC-3s are reaching a great age, their spares are beginning to be short, they no longer comply with international regulations, when these are strictly interpreted and, above all, their customers—the passengers—are demanding something better. Only those operators secure from competition can long delay re-equipment. The provision of that equipment is perhaps the most important and, let us hope, rewarding activity in the aircraft industry today.—Yours faithfully,

R. C. M. COLLARD
London, N.W.2

Books & Publications

Writer to the Establishment

GEOFFREY DAWSON AND OUR TIMES.

By John Evelyn Wrench.
Hutchinson. 487 pages. 30s.

WHEN Geoffrey Dawson became editor of *The Times* his predecessor, G. E. Buckle, wrote to him:

I have no doubt you will gradually and insensibly get into the habit of regarding all public questions, not from your own personal point of view, but from the impersonal *Times* standpoint. "WHAT OUGHT *The Times*, with its history and traditions, to say about this?" has always been in my mind. So is the continuity preserved.

Such advice was naturally congenial to Dawson, and it is no accident that in this biography the figure of the man is continually overshadowed by the office which he held for over a quarter of a century.

"Office" is the right word. To Dawson *The Times* was something more than a great newspaper; it was a national institution, comparable with the Bank, Parliament, the Monarchy and the Church of England. Printing House Square had its place in the topography of the Establishment along with Threadneedle Street, Whitehall, Lambeth and St James's. *The Times* has always repudiated the fiction that it is the voice of the Government—and rightly so. Governments came and went: *The Times* represented something more permanent, at once the mirror and conscience of the established order in church and state.

By upbringing and training Geoffrey Dawson was admirably equipped for such a role. The son of a small country banker from Skipton, he proceeded by way of Eton and Magdalen to a fellowship at All Souls, then by way of the Colonial Office and Milner's "Kinder-garten" to the editorship of the *Johannesburg Star* at the age of 31. By temperament, too, he possessed just those gifts that commanded respect in the official world. Hardworking, conscientious, shrewd, he had a deep conservative feeling for continuity and stability which won him the deserved reputation of being reliable. Untroubled by the doubts of more imaginative men, he took his duties seriously and was satisfied with the anonymity of a great civil servant, content to identify himself with the institution he served without a trace of self-seeking.

Any account of Dawson's life, therefore, becomes something more than the biography of an individual; it is part of the collective biography of the English governing class between the Boer War

and Hitler's war. This is the value of Sir Evelyn Wrench's book. If it adds little to what is already known of particular episodes such as the Abdication, the copious extracts from Dawson's journal and letters illuminate on every page the characteristic assumptions and limitations of those who directed the affairs of this country in the first forty years of this century.

Two of the most striking illustrations of this are to be found in Dawson's attitude towards foreign affairs and in his lack of interest in the social and economic problems of Britain between the wars. Dawson has been criticised for his advocacy of appeasement in the nineteen-thirties, and Sir Evelyn Wrench rehearses the familiar arguments in his defence. But what is much more interesting is to watch the formation of an approach to foreign policy from which support of appeasement followed naturally (if not inevitably). This approach can be traced back to Dawson's experiences in South Africa after the Boer war. Henceforth the imperial connection dominated his—as it did much of the Conservative party's—thinking on foreign affairs. The extent to which this distorted their picture of the world outside the Commonwealth, and blinded them to the revolutionary changes transforming it, is still imperfectly appreciated. For much of the Conservative party's imperialism in the twentieth century was only the parochialism of the nineteenth century's "Little Englanders" written a little larger. The failure to grasp the implications of Hitler's rise to power in Germany thus appears as part of the much bigger failure to understand how far the world of 1914 and the old balance of power had gone for good. In the clamorous seething world of the nineteen-thirties the judicious platitudes of *The Times*'s editorials sounded hollow.

How much more did the editor—or the readers—of *The Times* know of the new England springing up in the Midlands and the outer suburbs of London, or decaying in the distressed areas? There is barely a reference in these pages to the problems of unemployment and poverty, of the phenomena of mass education and mass entertainment. Such issues had no more place in the narrow traditional world of the Establishment, as seen from the editor's room in Printing House Square, than the gutter politics of the Nazis. The world of Trollope was confronted with the world of the *Daily Mirror*—and of Hitler. In that contrast lies the key to much in the history of Britain between the wars.

The Economics of Laputa

MARGINAL-COST PRICE-OUTPUT CONTROL.

By Burnham Putnam Beckwith.
Columbia University Press (London: Geoffrey Cumberlege). 291 pages. 45s.

THE title of this book, irresistibly recalling the notorious headline "Oyster Bars Jam Probe," is not its only irritating feature. Bumptiously sophomoric bad manners distinguish its style; a curious intellectual double standard (any guess is good enough to support my arguments; the faintest ambiguity or quantitative imprecision damns those of my opponents) characterises its matter. But its subject is important, both practically and theoretically, and inadequately discussed in economic literature. Its thesis is closely akin to, though in important respects differing from, that of Professor Lerner's "Economics of Control." In an imperfectly competitive economy, where a high proportion of enterprises work in conditions of decreasing cost, prices set to cover total outlay must largely exceed the cost of the marginal item produced; since these prices cut off a demand capable, by hypothesis, of being satisfied at a lesser sacrifice of real resources than that which they indicate, there ensues an irrational under-use of fixed equipment and a distortion of the economy. First tracing in its historical origins, then restating, this line of thought, Dr Beckwith concludes that every item should be sold at marginal cost (interpreted to include many services, such as retail delivery, now irrationally rendered free), and that the resulting deficits should be covered by Government subsidy. Investment decisions demand a different analysis; these should be based on a comparison of cost on the one hand and discounted marginal yields, plus consumer's surplus, on the other.

Dr Beckwith scores high on the internal consistency of his unorthodox model. This is the best-worked-out, most deeply studied analysis yet of the decreasing-cost economy; a generalisation from the railway-rates and public-utility case, long treated as a subject apart and fitting as awkwardly into the accepted competitive picture as the case of non-reproducible goods into the labour theory of value. The realism of the model is another matter. Evidence that larger productive units have lower unit costs is not evidence that total production, once its instruments are grouped in units of ideal size, is carried on in decreasing-cost conditions; nor does evidence of surplus capacity necessarily indicate anything more than rationally desirable elbow-room in an unpredictable world, like an idle taxi on a rank.

And when Dr Beckwith turns to practical prescription he takes wing straight for Laputa. The logically complete answer is all-embracing socialism (with no nonsense about trade unions, of course) and it may be that his prescriptions for capitalist economies are

deliberately designed to look ludicrous so that the appropriate moral may be drawn. Every prescription can, in its weird Laputan way, be related to optimum price and output theory. Some are genuinely excellent; a simplified version of Dr Beckwith's railway rates scheme would be no less workable and far more rational than any now existing. But their total effect, even charitably assuming away all politically based distortions, would be an economic nightmare in which no producer or consumer could ever budget a day ahead ("price stability is always an evil") and in which price-setting would absorb most of the energies of executives while the allocation and financing of subsidies similarly absorbed the energies of government. As for the entrepreneurs (or Commissars) instructed to add consumers' surplus to money yields before making an investment decision, Laputa itself would seem a haven of practical good sense to them. It is noteworthy that Dr Beckwith, while repeatedly pouring scorn on those who deny that consumers' surplus can be measured, nowhere offers the faintest adumbration of a method for measuring it. His prescription involves extending to the whole field of investment the crude, non-quantitative methods now used, well or ill, to decide road-building priorities.

Fudged answer for fudged answer—and even Dr Beckwith draws the line, in practice, far short of that minuteness of control needed, on his assumptions, to yield perfectly rational results—there seems no reason to prefer, outside perhaps the public-utility field, "marginal-cost price-output control" to the workings of an even moderately competitive capitalist economy.

As Others Saw Us

STRANGE ISLAND: Britain Through Foreign Eyes, 1395-1940.
Compiled and edited by Francesca M. Wilson.

Longmans. 306 pages. 21s.

MISS WILSON has had a happy idea and she carries it off splendidly. She has assembled a collection of impressions of Britain and Britons by visitors over five and a half centuries. Her anthology is fascinating good fun, admirably chosen and illuminated by the editor's own commentary so that it presents a sweep of social history and no mere bagful of snippets. Miss Wilson has divided her visitors into six periods—early discoverers to the time of Elizabeth, then the troubled but exciting century when no foreigner seemed much interested in the Stuarts and the Restoration, followed by the anglomania of the eighteenth century, the war with France, the Victorian age and the present century—each of them with a briskly written picture of the period and its personalities. If any scholastic puritans think that this is history made too easy, Miss Wilson adds a bibliography that will keep them busy for a lifetime.

This sunny scholarship is equally

suited to the bedside table or to the study. Its biggest appeal is bound to be to the curious who wonder what the foreigner thought of us then. The foundations of British character seem to have changed little in five hundred years. Andrea Trevisano in 1497 found the English great lovers of themselves, with no greater praise of a foreigner than "he looks like an Englishman." Eighty years later Van Meteren judged the English clever, handsome and well made "but, like all islanders, of a weak and tender nature" not vindictive but very inconstant and "very suspicious of foreigners whom they despise." These themes recur. So do smoking, tea and business deals done over a pot of ale. The English Sunday brings a comment in 1690: "a common practice, even among people of good substance, to have a huge piece of roast beef of which they stuff till they can swallow no more, and eat the rest cold the other days of the week." And the pudding—a dish very difficult to be described: "they bake them in an oven, they boil them with meat, they make them fifty several ways."

The English, one observer notes in 1727, "are very fond of a game they call cricket." Smokeless zones may be new, but not smog: "the immense consumption of sea-coal increases the quantity of fog, thickens it and renders it of longer duration." "Covetous of time" and "exact to a minute" are compliments of the early nineteenth century. Not all the observers are impeccable judges: the Frenchman, Simond, finds nothing to say of Salisbury save that the steeple is twenty inches out of perpendicular; indeed there is oddly little appreciation of English architecture from visitors during the periods of our building genius. But most of them are perceptive and accurate chroniclers of the British domestic and social scene. "Society being divided as by the rings of a bamboo, everyone busies himself with trying to climb into the class above his own, and the whole effort of that class is put into preventing him from climbing." That is Stendhal writing in 1821. Froissart, Erasmus, Voltaire and Casanova are linked down the years with Trotsky and Maurois in comments as neat and shrewd. And they would expect us to say that we come out "not too badly."

Expanding Australia

AUSTRALIA.
By J. C. Horsfall.
Benn. 223 pages. 21s.

IN 1930, Sir Keith Hancock wrote a wise and balanced book on Australia for Benn's "Modern World" series. Today he writes a friendly foreword to its successor in the same publisher's "Nations of the Modern World." This association inevitably invites a comparison which, however, it would be invidious to push too far. Mr Horsfall, an Australian-born economist and the first editor of *The Australian Financial Review*, has written a book more

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deliberately restricted in scope than was Sir Keith Hancock's. It is an economist's book, written with the primary object of describing the intensive development of the Australian Commonwealth during the postwar decade, and of explaining the difficulties that impede further development. As such, it is a successful book; but in spite of a workmanlike chapter on Australia's picturesque and raucous politics, and a rapid glimpse of the country's unpromising beginnings, it must be said that the value of Mr Horsfall's work, for the general reader, would have been greatly enhanced by a less sweeping assumption of knowledge.

It is still necessary to explain why Australia cannot—short of a revolution in the supply of energy—hope to become another United States, despite its comparable size. Most of Australia's 9 million inhabitants have crowded themselves into the fertile coastal plains, with their backs to the dry and inhospitable interior. Its development, though still rapid—indeed too rapid for economic health—is hampered, physically, by shortages of water and oil; civically, by a federal structure which has led to gross over-government and conflicting claims between state and federal administrations; economically, by over-dependence on the export sales of wool, a commodity subject to wild fluctuations on the world market; and financially by inflation and a shortage of capital. Much has been done to overcome some of these handicaps; but the

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shortage of capital for development remains intractable. As the author puts it: "The rate of Australia's economic development must be geared to the prospective level of London funds." This dependence on London has indeed caused much heartsearching by Australian economists aware of the trading advantages conferred by membership of the European Payments Union, but eager for American capital.

Mr Horsfall has performed a useful service by his clear statement of the dilemma of a country aware of its needs to expand but unwilling in the process to sacrifice its living standards. And, very properly, he leaves its solution to Australia's political leaders and economic pundits.

Diet of Oysters?

THE SUN, THE SEA AND TOMORROW.

By F. G. Walton Smith and Henry Chapin.
Hurst and Blackett. 184 pages. 15s.

WHEN Sherlock Holmes had occasion to mislead Dr Watson's clinical instinct and persuade his devoted supporter that he was indeed suffering from "Sumatra fever" he allowed his remarks to ramble in simulated delirium about oysters. "The world will soon be full of them," he said, "so quickly do the creatures breed." The two American authors of this book put the matter on a slightly more exact basis. "One oyster," they say,

produces several million young of which only comparatively few survive to maturity. From a purely statistical point of view, if this prodigious mortality did not occur the progeny of only two or three dozen oysters would within a short time be sufficient to feed the entire world population.

The problem of supplying the population of the world with food, raw materials and power is exercising the minds of an increasing number of people. The possibility of obtaining more fish from the present fishing grounds, of extending the profitable areas from which fish are taken, of using improved devices for catching fish, or of farming fish in ponds or in suitable areas of the open sea—all are matters worthy of serious discussion. Several proposals have been studied to use as human food the plankton upon which fish and whales subsist. The recovery of minerals and other raw materials from the sea has already been developed to some extent. For example, the Dow Chemical Company is reported to recover 20,000 tons of bromine and 40,000 tons of magnesium a year from sea water. Although the invention of atomic piles that "breed" their own fuel may make less urgent the search for sources of power to replace dwindling supplies of coal and oil, there is good reason to review the economics of power from the tides or from temperature differences between the bottom and the surface in deep water. Unluckily, "The Sun, the Sea and Tomorrow" is brightly written, and although all

these topics are touched on, the touch is that of a popular magazine article. To the British reader the prose style is from time to time indigestible. One can soon have too much of "the green magic of photosynthesis," or the "sterile dark of the abyss" and find it distasteful to learn that "we . . . scrape the dung from under the birds of the sea."

Italic Writing

FROM SCRIBBLE TO SCRIPT.

By Peter Rudland.
Allen and Unwin. 123 pages. 12s. 6d.

THE revival of good handwriting on the model of the Italian renaissance is one of the most useful and vigorous movements of the day. Children and adults alike are learning to write more easily, more legibly and more attractively; and they get more pleasure from it. First-class calligraphers, of course, are rare; but in this practical art half a loaf is better than no bread, and everyone can improve his handwriting with pleasure and profit.

Mr Rudland's book is one of the more practical manuals that have been published in recent years. It starts with a short history of handwriting, more plates than text; the plates are mostly old friends, and none the worse for that. He goes on to give practical instruction in italic writing, and ends with a dozen pages illustrating contemporary hands. His instructions are clear and sensible, though sometimes rather exacting: most people would doubt, for example, whether the tiro should be told to take two strokes to an "o" or to avoid horizontal joins between letters; here speaks the professional designer, whose skill sets high standards. But he makes up for this by encouraging his pupils to choose for themselves when they build up their new hand after studying the accepted models. The basic training is rigorous, but the end-product is free and individual.

Mr Rudland throws out some very interesting ideas, among them the concept that metal is an unnatural substance from which to make a nib; the best, though scarcely practical in a busy world, is a quill; cannot a plastic nib be made with the qualities of the quill?

The book is excellently produced, with many illustrations. It can be warmly recommended to beginners and to amateurs of good writing.

Books Received

USA: Its Geography and Growth.
John Murray. 124 pages. 10s. 6d.
The text of this book was originally prepared by the United States Information Service. Illustrated by photographs, it is intended to serve as an introduction to the subject, rather than as a definitive work.
CASUAL COLUMNS: "The Glasgow Herald" Miscellany.
Edited by R. N. Biles. George Outram. 317 pages. 12s. 6d.
CORPORATION ACCOUNTS AND STATEMENTS.
By W. A. Paton and W. A. Paton, Jr.
New York and London: The Macmillan Company. 760 pages. 47s.

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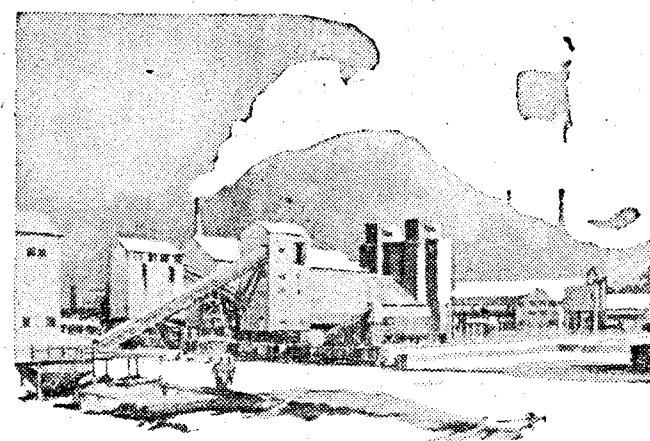
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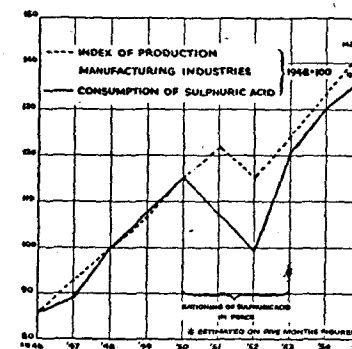
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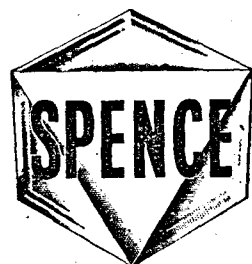
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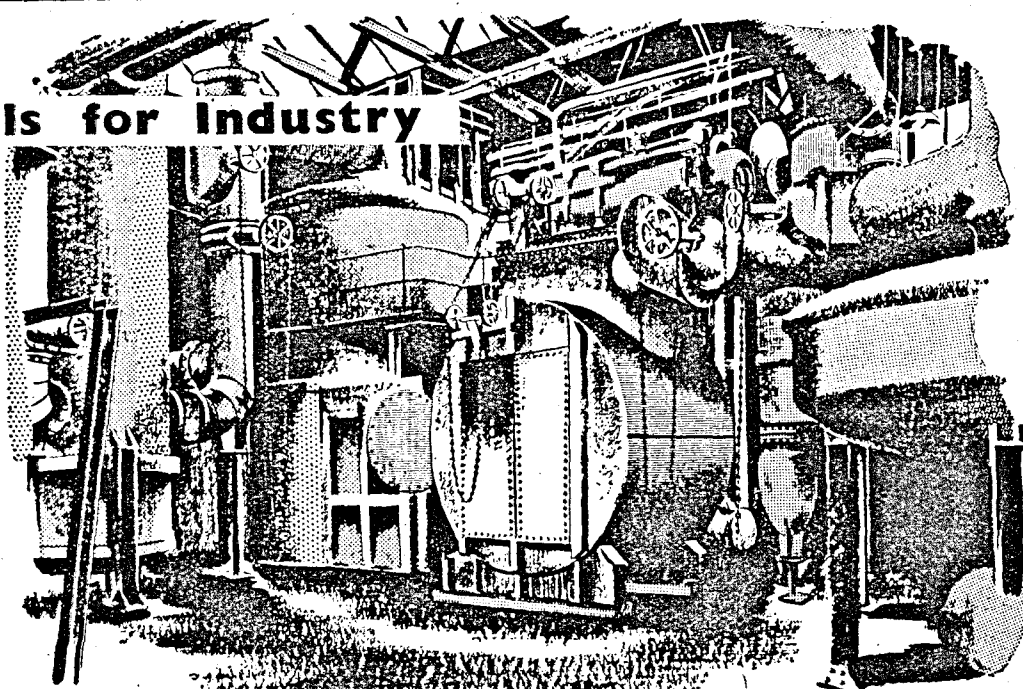
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[3P 132A]

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.

Democratic Manager

Washington, D.C.

SENATOR LYNDON JOHNSON of Texas, the country's second most distinguished heart patient and the leader of the Democratic majority in the Senate, has announced his return to health and political life by issuing a thirteen-point legislative programme for the coming session of Congress. It has been well received by his party, in spite of its ambiguities, because it offers a basis on which the Democrats can establish a legislative record that will be useful in next year's election without causing too much friction in the party in the meantime. Senator Johnson is rightly proud of two main achievements under his leadership in the last session: the technical efficiency with which the Senate did its business and the harmony obtained among the Democrats. He is not prepared to see these wiped out by a year of presidential campaigning; he does not intend the Senate chamber to be turned into a convention hall for the purpose of nominating a President.

All political programmes are bound to be a compendium of diffuse aspirations, especially in a country as diverse as America. But the balance of power in the national convention which chooses the presidential candidate and drafts the platform tends to be different from the balance of power within the congressional party, particularly where the Democrats are concerned. Both houses of Congress have a rural weighting and under-represent the majority of Americans now that they live in urban areas; the cities look to the President to press the issues of importance to them, while the conservative southerners, who dominate Congress when the Democrats are in power, hold urban radicalism at bay and pride themselves on their constitutional traditions.

Senator Johnson's success in his first session as majority leader, striking and indeed nearly man-killing though it was, was primarily a technical one; by his managerial skill he asserted a personal ascendancy over the ill-organised Senate. In spite of the impressive total of Bills completed, few of the measures passed were very important. The Senator could claim that, in some cases, those of the health, education and highway programmes, for example, this was because time was wasted over the half-baked proposals served up by the Administration. But Mr Johnson's real test still lies ahead; he has to prove that party harmony means something more than legislative immobility. His ambition indeed goes beyond simply making a success of the next session; he wants to use the work of the session to build a framework for the promises that will be made

on the platform on which the Democrats will fight next November's election.

The ambiguity of a presidential campaign lies in the fact that the candidate for the highest executive office runs on what is virtually a legislative programme, making promises which are left to his party's congressional leaders to honour. Senator Johnson does not want to find himself after the next election morally bound to a platform framed by liberal elements who are without a hope of controlling the machinery of Congress. The story of this next session will be to some extent the story of the efforts of this highly skilled manager to mould the Democrats in Congress into "a progressive party without being radical, a prudent party without being reactionary." If he emerges at the end in the strong position he is seeking to shape for himself, he can hope to delay the nomination of a presidential candidate until pledges have been made about the nature of the candidate's programme.

★

To what extent would such a programme be distinguishable from the "dynamic conservatism" to which President Eisenhower has given currency? Mr Johnson's legislative programme provides some clue. Of the thirteen proposals, at least two hardly stand a hope of passing: reform of the immigration laws and expansion of the public housing scheme. These are typical urban demands; Senator Johnson has introduced them because he realises that, for the Democrats to improve their present small majorities in Congress, they must win more seats in the northern cities.

Another of the proposals will bitterly divide the Democrats in the Senate, but this is a Texan matter which no Texan Senator, even though he is majority leader, can be expected to overlook. It is the removal of federal control from the well-head price of natural gas; a Bill to secure this was forced through the House of Representatives by the fierce efforts of the Speaker, Mr Rayburn, another Texan, and has still to negotiate the Senate. The measure is highly unpopular in the northern cities and will be energetically fought by Senator Douglas, of Illinois, and other liberals. This struggle will be particularly unfortunate for the Democrats in that the one battle-cry on which they are nearly all united is that the Republicans have indulged in "giveaways" of natural resources to private interests. It is evidently Senator Johnson's intention to do his duty by Texas and get it over with as early as possible in the session.

Of the remaining ten measures, the Democrats promise to offer more sensible ideas on health, education and highways than has the Administration, which ought not to be too difficult. On agriculture they offer a much less sensible, indeed in the literal sense a reactionary, idea—a return to high rigid price supports for farm products. Mr Johnson undertakes to pilot through the Senate a Bill extending old age pensions and lowering the retirement age for women which Mr Rayburn has already put through the House. The President's promise that something will be done for the depressed areas is matched and the liberals are offered the smallest possible instalment of their demands on civil rights for Negroes, a constitutional amendment abolishing the poll tax.

Finally, Senator Johnson is proposing a major programme of land reclamation and flood control and a tax cut for the lower income groups. He is evidently hoping that as a result of the recent floods in New England many northern Senators, who used to complain about "handouts" to the less developed south and west, may now be interested in bargaining for a share of this type of federal money. As for the tax cut, no connoisseur of political programmes, especially those of an opposition party, will be surprised to see it accompanying so many proposals for extra expenditure. It will be on his success in "delivering" these ten measures that Senator Johnson's achievement will be judged when next July comes round.

Controversy Goes to School

NEARLY two years of preparation preceded this week's conference in Washington of officials, teachers, parents and others concerned with the upbringing of children; the two thousand representatives from every state in the Union are supposed to give the President a comprehensive review of how American education can be improved. After so much advance planning it is rather unexpected that the conference should have become a subject of controversy, especially since there is no doubt about the basic improvements urgently required in the free schools today—more classrooms and more teachers. Both are already so scarce—and are to become so much scarcer in the next ten years—as a result of the surprising growth in population, that the quality of the education they provide is now a secondary consideration, even though a much discussed one.

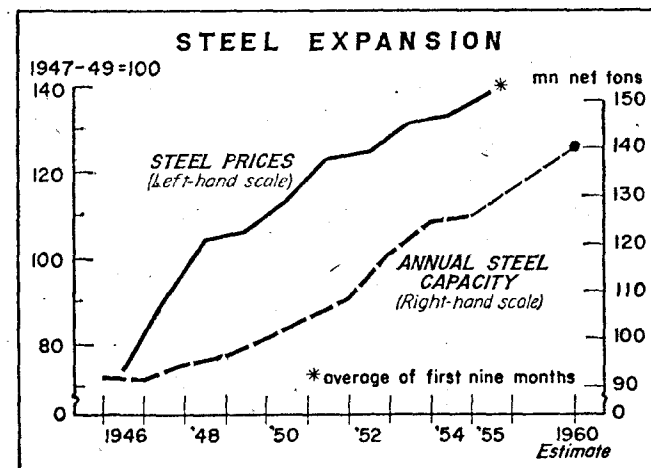
Nevertheless, although no one questions the scarcity, it enters into the controversy. Those who claim that financial aid for education from the federal government inevitably means federal control of the state schools, insist that the admitted shortage of classrooms and teachers is being exaggerated. According to this argument, such exaggeration is designed to make the problem seem incapable of solution by the local authorities who are traditionally responsible, and thus to mobilise protesting parents in the drive for federal interference. But the groups who are thus accused maintain that the months of preliminary meetings at state and local levels have resulted in the present conference being packed with opponents of federal aid. Those who express this view—labour leaders and Democratic Congressmen are the most vocal of them—fear that this alleged packing, coupled with the complicated chain of

committees through which the conference is working, will prevent any constructive proposals being put before the President. He will, they say, be advised to do only what he wants to do.

But what he wants to do is not now quite so certain as these critics thought. Last spring he suggested that the federal government should help local authorities to borrow money to build schools; this proposal could hardly have been effective even if Congress had approved it. But this was only an emergency measure, to fill the gap until long-term remedies could be worked out. Mr Eisenhower's message to the conference suggests that he is now prepared to go a good deal further and give direct federal aid, in the form of cash as well as credit, to those areas which cannot afford to build the schools and pay the teachers their children need. What this will actually amount to will probably not be known until the President sends his recommendations to Congress next year—and then the controversy will really begin.

Steel on the Rise

WEDNESDAY'S announcement from the United States Steel Corporation of an increase of \$2 a ton in the price of its carbon steel cold rolled strip will probably swell the trickle of recent price rises in the industry into a stream. But for the present these advances are likely to be confined to particular products which are in exceptionally heavy demand, or are less profitable than the average, and to extra charges imposed when the customer has special requirements as regards size, shape or quality. The industry explains the advances as adjustments after the general rise



of \$7.35 a ton which followed last July's wage increase. It is notable that this price rise, contrary to some forecasts at the time, had no apparent effect on the demand for steel.

This is one reason why another general rise is prophesied for 1956; the occasion for it will probably be the further increase in wages which is expected to result from next summer's negotiations with the steel workers. Iron ore prices are also likely to go up by about 10 per cent before then. However, the main excuse that the steel companies are already giving for the coming advance is that they must build up reserves to finance future expansion and that they

must pay higher dividends so that they may be able to sell new issues of shares for the same purpose. The special tax concessions which have facilitated previous expansions are no longer available; there are cynics who suggest that the unusually frank talk about coming price increases may be designed to induce the government to restore these concessions.

The industry is now working to capacity—output in November should be even higher than in October, which set an all-time record—and customers are complaining not only that present deliveries are inadequate but also that they cannot obtain firm promises of all the steel they need for the early months of next year. Automobile manufacturers are one of the chief causes of the shortage, confounding the experts' calculations by taking more steel than was thought possible; but practically all users are pushing up their requirements. As a result the steel companies are convinced that yet another round of expansion is necessary. From plans already announced it looks as if this expansion will bring a growth in capacity of perhaps as much as three million tons a year for the next five years. To begin with, this can be achieved by further modernisation and extension of existing facilities, but such ambitious plans cannot be completed without building entirely new plants, a very costly affair under present conditions.

Tax Experts

Washington, D.C.

CONGRESS, in advance of another certain battle next year over taxes, has just been given the benefit of a great deal of rather bewildering academic advice on the subject. The Joint Committee on the Economic Report—which might be thought of as a somewhat pale American version of a Royal Commission—has published a thousand-page compendium of expert views on practically every aspect of taxation and will afford the eighty-odd experts a chance to state their positions orally in hearings beginning next Tuesday. Fortunately for the rare student—and even rarer Congressman—who is willing to plough through the heavy volume, most of the papers were submitted by independent economists and lawyers with no particular axe to grind; thus the study provides an excellent factual basis for the debates about to begin. Yet the rays of enlightenment produced by the publication are so diffuse on the one hand, and penetrate into so many corners which Congress prefers to be dark on the other, that its impact on the outcome of legislation next year is unlikely to be marked.

Nevertheless, if the experts provide little in the way of assurance about what future tax policy should be, their papers do warrant three broad conclusions about American taxation as it is. First, despite the publicised recodification of the entire tax law in 1954 under Republican sponsorship, it remains riddled with an astonishing variety of special provisions of a complexity matched only by their frequent inequity. One paper, for example, pointed to the notorious "Louis B. Mayer provision," long a favourite bogey of people who object to special-interest taxation. A lengthy paragraph in the law, innocently entitled "Taxability to Employee of Termination Payments," sets out involved conditions for generous tax treatment of lump sum pay-

ments on retirement from a corporation. It was understood, among the initiate, to apply at the time it was enacted to only a single cinema magnate. Almost all the numerous examples of this kind of special favour, said Professor William Cary of Columbia University in his paper, "have been re-enacted and are firmly embedded in the 1954 code."

The "loopholes" do not necessarily grant escapes only to an individual or very small group. The federal income tax contains a surtax rate running as high as 91 per cent for very large incomes, as business groups never tire of pointing out. But the taxes that very rich people actually pay are another matter. To begin with, they can "split" their incomes with their spouse and move into a much lower surtax bracket. If they invest in mining for oil or other minerals, they get a special "depletion" allowance which exempts up to 27½ per cent of income from taxation. If they make their money on the stock market, they pay a maximum of 25 per cent on their capital gains and get special tax relief on their dividends besides. If they are company executives, they probably get part of their compensation in the form of share options or retirement plans qualifying for special tax treatment. Even large estates can escape confiscatory taxation by clever use of life insurance, especially under changes made in 1954. Mr Randolph Paul, a private tax lawyer who used to work in the Treasury, concluded that in 1952 the actual effective federal income tax rate for taxpayers with incomes over \$100,000 was only 53.4 per cent, despite a theoretical rate of 88 per cent. There are plenty of millionaires in the United States—for better or for worse—and the tax laws help to explain why.

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These facts of life are related to the second broad conclusion: the American tax structure is not nearly as progressive as a simple reading of the income tax form indicates or as popular belief holds. The papers elucidate this in a number of different ways. Professor Keith Butters of Harvard dealt with the conservative view that present taxes drastically impair the traditional role of the rich as suppliers of risk capital; he concluded after an exhaustive study that "the evidence indicates that as a group individuals in the upper income percentiles are still accumulating large amounts of new investable funds despite existing tax rates." In a more general way, Professor Richard Musgrave of the University of Michigan tried to tackle the elusive problem of just what portion of their incomes Americans actually pay in taxes of all kinds to all types of government—federal, state and local. He found that state and local taxation, bringing in nearly \$25 billion a year, is actually regressive, coming largely from sales (purchase) taxes and local property taxes. Counting all taxes, he discovered that the degree of progressiveness is moderate indeed; the man with an annual income of \$3,000 pays fully 28.3 per cent of it in open and hidden taxes, while the man with \$10,000, at 33 per cent, pays but little more. In fact, about the only progressive feature of the entire tax structure is the federal income tax, which has not been entirely emasculated by the many special provisions.

The third broad conclusion is perhaps the most important: namely, that there appears to be no reason to fear economic disaster from the current high level of taxation. Taxes, taken all together, now absorb close to 30 per cent of the national income. Entire sections of the Joint Committee's study were devoted to the effects of this taxation

on incentives and capital formation; the economists reached a surprising measure of agreement that the national economy can operate and is operating remarkably well in the face of such fiscal avarice. Indeed, if there is anything demonstrable about taxation at all, it should seem obvious that a country investing at new record rates and heading, according to the early surveys, for another fantastic increase in prosperity next year, does not seem to be severely hobbled by its taxes.

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Half the federal government's annual receipts of some \$63 billion (not including social security taxes on employers and employees, which go into special insurance funds) come from personal income taxes, 29 per cent from corporation income taxes, 14 per cent from excises and the rest from miscellaneous items such as customs. It is a striking, and encouraging, fact that scarcely a paper submitted to the Joint Committee by the academic economists argued that this basic structure of taxation was mistaken. Indeed, the reverse was true. While there was a dizzying variety of criticisms and suggestions regarding individual aspects of the system, fully a score of papers argued directly or indirectly that the present system is admirably suited for handling as an economic instrument and contains a substantial element of built-in compensation against swings in the economy.

The basic reliance on income taxation means that tax liabilities fall much more sharply than incomes in a recession, and several papers pointed out the salutary effect this phenomenon had had in the 1954 slump. And there was little disposition to argue with the conclusion of Professor Theodore Andersen of Dartmouth College that, because of the very existence of high taxation, the federal government, through tax cuts, "can provide the nation's economy with a very quick and powerful stimulus should the necessity arise." Professor Paul Samuelson, of the Massachusetts Institute of Technology, grew positively rapturous about the possibilities of manipulation inherent in a tax structure both high in itself and organised as the American system is, while Professor Arthur Smithies of Harvard found that in this instance politics, for once, were compatible with economics. He contends that

if business interests had their own way, it is likely that consumption taxes would be adverse to business expansion. On the other hand, if the welfare point of view prevailed, business taxes might be raised so high and consumption taxes reduced to an extent that the economic growth, on which welfare itself so basically depends, would be retarded. In our happily balanced society each side of the political argument tends to save the other from its excesses.

Imports Down the Drain?

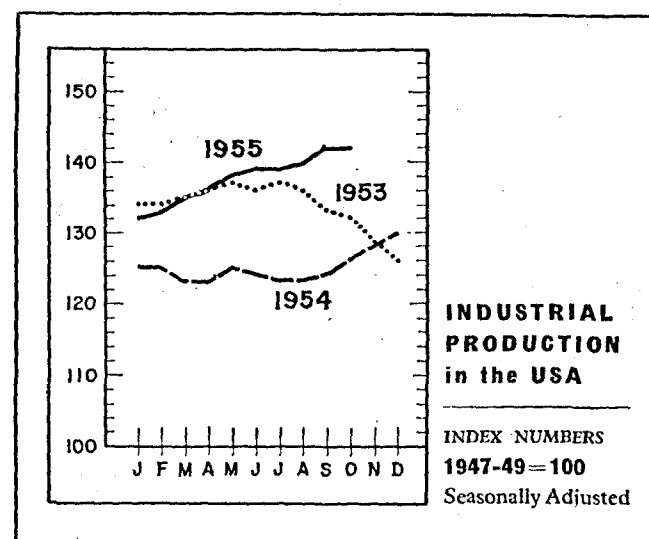
Washington, D.C.

THE Tariff Commission has decided that British cast iron soil pipes are being dumped in Californian homes. The decision appears to set a precedent; it has therefore alarmed American importers and has recruited wide support for their campaign to clarify the laws against dumping. British sewer pipes are, on the face of it, an

unlikely import. They are the wrong length and lack some of the fittings required for American standard designs and, since they are an unpopular freight with shipping companies, it is difficult to guarantee that they will arrive on time. That they earn any dollars at all is due to the enterprise of local importers and the phenomenal housing boom in California. The initiative was American and the price was fixed by local competitive conditions. It would be difficult to imagine any situation further removed from the original purpose of the 1921 Antidumping Act, which was to save American industries from massacre by the "predatory dumping" expected from European cartels.

Until a year ago the Treasury was responsible for both of the findings that must be arrived at before penalties are imposed under the Act; it must first be decided that the imports are being priced at less than their "fair value" and then that, as a result of this, an American "industry" is either "injured" or "prevented from being established." With this procedure complaints under the Act were seldom successful, but now the Treasury makes the first finding and the Tariff Commission the second. The Treasury has been consistently mechanical in its interpretation of "fair value," which currently means the price charged in the home market. But it used to require evidence of really substantial injury, while the Tariff Commission's thought processes on this point, as revealed in its first main decision on such a case, are bafflingly obscure but nevertheless ominous.

The majority of the commissioners seemed to treat as an "industry" six Californian companies which are responsible for eight per cent of total domestic production of soil pipes. The imports came to only four-tenths of one per cent of the American output and they equal only three per cent of output in California. The man who made the initial complaint was obviously the most marginal of producers, having been in and out of the business several times; some of the firms which appeared in his support were shown to be doubling their production and raising their prices and their profit. Thanks to the commission's finding of injury the unfortunate importers must now pay penal duties on the British sewer pipes, possibly even those brought in as long ago as December, 1953, four months before the complaint of dumping was originally made. It is difficult not to agree with Professor Jacob Viner, testifying before a congressional



subcommittee, that unless Congress does something to change this law the threat that now hangs over every American importer will be a more serious deterrent to anyone trying to enter the dollar market than even the famous "escape clause" in the Trade Agreements Act.

War on the Columbia

FROM A CORRESPONDENT IN OREGON

BOTH the Pacific Northwest of the United States and the Western Provinces of Canada are rich in natural resources; both are now developing these resources and as a result both are enjoying an economic boom and a rapid growth of population. But this community of interests has brought the sharpest disagreements between the two neighbours since the middle of the nineteenth century, when the pioneers who followed the Oregon trail tried to push the frontier northward as well as westward under the slogan "54° 40' or fight." The argument today does not concern the actual line which the national boundary should follow but the extent to which the region's resources of water and natural gas should be allowed to cross that line. The disagreements began over the plan for sending natural gas by pipeline from the fields in Alberta and British Columbia to factories and homes in Washington and Oregon. This argument over energy appears to have been settled, but it is being replaced by another, over the exploitation of the waters of the Columbia river, an international stream, for the production of hydro-electricity.

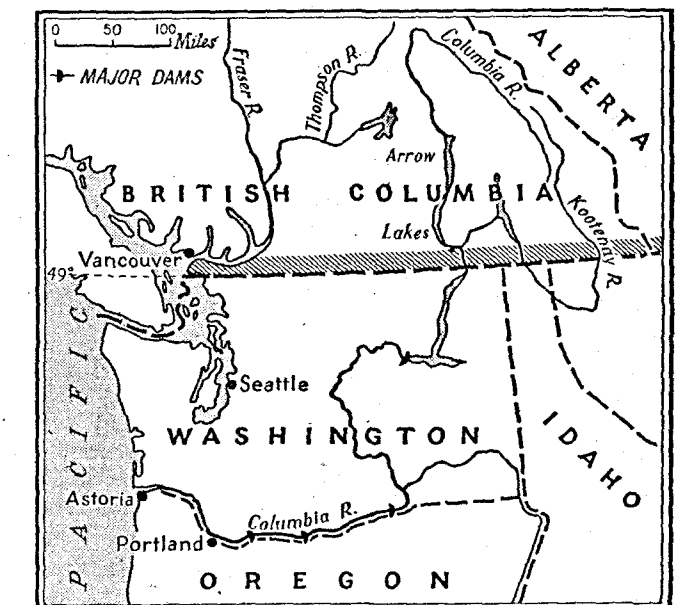
It is twenty years since the United States began to harness the Columbia river system; in it lies about one-third of the potential hydro-electric power on the North American continent. The river rises in British Columbia and drains Canadian territory for the first 465 miles of its 1,210-mile length. As it crosses the border, the mainstream carries an average annual flow of some 62,400,000 acre-feet of water, more than one-third of the 180 million acre-feet discharged at the river's mouth near Astoria, Oregon. Thus a substantial part of the water that turns the hydro-electric generators on the dams along the Columbia originates in Canada.

Many years ago the International Joint Commission was created to deal with the development of rivers (the St. Lawrence is another) which are shared between the United States and Canada. Until recently, as far as the Columbia was concerned, the commission confined itself to determining the extent to which water impounded in the reservoirs of dams south of the border might be backed up into Canadian territory. But then the American industrialist, Mr Henry Kaiser, who uses electricity from the Columbia to operate aluminium plants in Oregon and Washington, asked the provincial government of British Columbia to allow him to build a storage dam at Arrow Lakes, on the Canadian stretch of the river, to regulate its flow and thus to increase the generating capacity of the American dams from which he obtains his power. The provincial government approved the Kaiser plan, but in the Dominion Parliament it gave rise to a Bill empowering the central government to veto any provincial plan for the development of an international river. This legislation was sponsored by the Canadian war hero, General A. G. L. McNaughton,

who is senior Canadian representative on the International Joint Commission.

General McNaughton has conceived a grandiose scheme for making at least a part of the Columbia an all-Canadian river and thereby assuring that Canada should get the benefit of the water that now flows over the border to generate electricity in the United States. For part of its Canadian course, the Columbia river is only a few miles from the Thompson river, a major tributary of the Fraser, which reaches the sea without crossing the border. General McNaughton proposes that a tunnel should be drilled through the mountain ridge separating the two watersheds and that 15 million acre-feet of water be drawn each year out of the Columbia into the Thompson. He would also divert the Kootenay, another international stream, into the Canadian stretch of the Columbia, increasing the flow there also.

Thus General McNaughton hopes to capture for Canada a potential increase of hydro-electric power on the Fraser



river system of slightly more than 5 billion kilowatt hours annually. The effect would be, of course, to reduce by a like amount the potential output of the mainstream of the Columbia south of the point of diversion. The possible loss of electricity would be equivalent to a quarter of the output of all the US government dams now existing on the Columbia below the Canadian border.

The McNaughton proposal was the main item on the agenda of the October meeting of the International Joint Commission, which completed a week-long session without reaching the slightest agreement on the issues involved. However, General McNaughton announced early in November that investigations into the engineering feasibility of the diversion were achieving "promising results." If Canada proceeds with the plan, the prospect is that the United States will carry its objections to the World Court at The Hague.

Mr Len Jordan, the chief United States representative, told the commission that the diversion of so much water from the Columbia to another watershed wholly in Canada would result in "very serious injury to downstream interests in the United States." The Democratic Senator Neuberger of Oregon takes the view that Mr Jordan has actually

encouraged General McNaughton in his plans by opposing the payment of adequate compensation to Canada for the benefits accruing to the United States from water originating in Canada. Mr Jordan has described Canadian claims for such compensation in kind—that is, in electrical energy—as excessive. United States interests are joined by the Province of British Columbia in opposing the project of the Dominion government in Ottawa. The province points out that its valuable commercial salmon industry depends on keeping the Fraser river free for the migration of the fish; hydro-electric dams, it is argued, would destroy that industry.

Senator Neuberger believes that the international characteristics of the Columbia river make it urgently necessary to reach a mutual compact with Canada, looking toward the wisest use of the river's full resources. He points out that diversion of the Columbia into the Fraser basin might mean that hydro-electric output on the American side of the boundary could not be increased beyond present levels, while, if both countries relied on storage dams, such as that proposed by Mr Kaiser, the capacity of the many generators on the section of the Columbia which flows through Washington and Oregon could be expanded. Unless some agreement of this sort is reached, it looks as if General McNaughton's desire to keep Canadian water power for Canada may bring an acrimonious dispute to the longest undefended border in the world.

SHORTER NOTES

Tax receipts have been coming in so satisfactorily that the Treasury does not now expect to have to raise any more new money this year, as it had earlier planned to do. But its latest refunding, of over \$12 billion worth of securities falling due on December 15th, will be the most costly for over two years as the result of the recent rise in interest rates; this probably also explains why no attempt is being made this time to lengthen the term of the national debt. The two new issues, available only to holders of the maturing issues, are a one-year certificate at 2½ per cent and a 2½ year note at 2½ per cent.

In refusing to reimburse the Dixon-Yates group for the expenses incurred before the cancellation of the notorious contract with that combine for supplying electricity to the Tennessee Valley Authority, the Atomic Energy Commission, which signed the contract, has admitted that there was probably a violation of the conflict of interest laws when it was negotiated. It has thus apparently justified the Democrats who have long argued that the Administration was guilty of an impropriety in connection with this contract. Senator Kefauver of Tennessee is not letting the matter rest; nor is the Dixon-Yates group, which proposes to take the matter to court.

A ruling which may have wide implications for the government's security programme has just been given in a passport case. Judge Youngdahl has ordered the State Department to support its denial of a passport to Mr Leonard Boudin, an alleged Communist, with "evidence contained

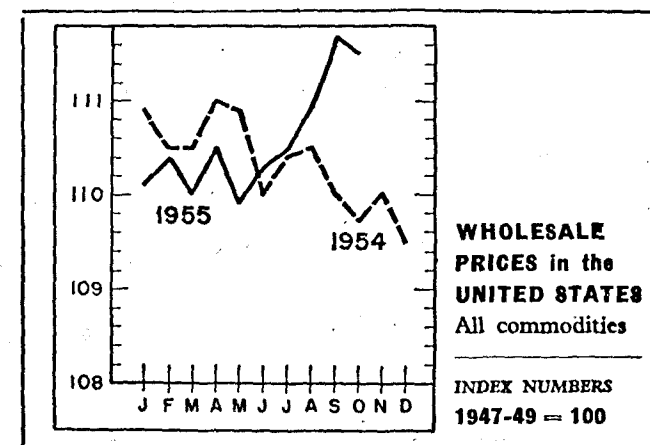
in the record." The judge refused to accept the excuse that the charges came from "confidential informants" who could not be produced in public. The validity of this excuse, frequently given in security cases to prevent an accused person from confronting witnesses against him, may now be tested in the Supreme Court.

The Interstate Commerce Commission has applied the Supreme Court's decision on racial segregation in schools to public transportation. It has forbidden railway companies and bus operators to separate Negro from white passengers travelling across state boundaries on vehicles or in waiting rooms. Federal authorities have no control over transport facilities that operate only within a single state; thirteen southern states require racial segregation on public vehicles. It is expected that the ICC ruling will be appealed to the Supreme Court.

At the humorous suggestion of Mr Benson, the Secretary of Agriculture, President Eisenhower changed his hospital breakfast menu from beef bacon—a thinly sliced beef cut which is cured, salted and smoked—to regular pork bacon. This change was intended to dramatise the Administration's attempts to bolster pork prices. The latter have tumbled to the lowest levels in years and Mr Benson is trying to hold the line with the aid of an emergency purchasing programme.

A price war between cake mixes has recently ended, but the battle over quality, variety of flavours and ease of mixing goes on, with five different manufacturers all promising satisfaction to the housewife. As a result her use of these mixes has been multiplied by ten in eight years and grocers' shelves are overflowing with rival packages.

The Federal Power Commission has authorised the Idaho Power Company to go ahead with two of the three dams which constitute the controversial Hells Canyon project on the Snake River. Work is to start at once but Congress will probably try to put a stop to it when the new session opens.



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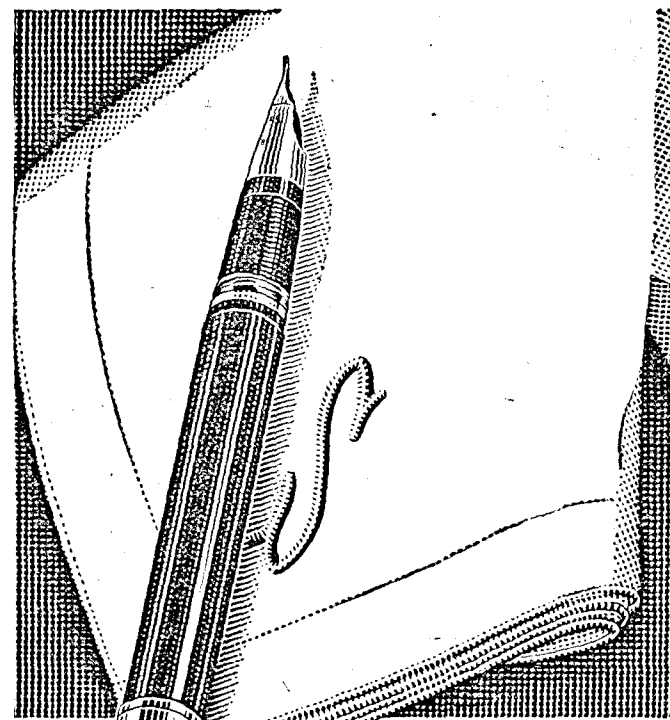
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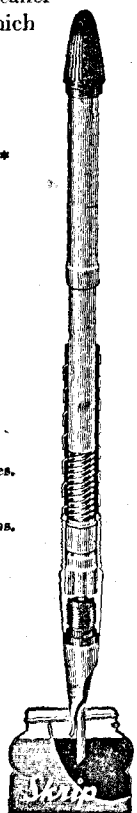
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The World Overseas

Down and Out in Paris

FROM OUR SPECIAL CORRESPONDENT

SUDDEN drama arose in the Palais Bourbon late in the evening of last Tuesday at the close of what had looked like the most unexciting of crises. Nothing had foreshadowed such an ending. Up to then everything had proceeded according to schedule. M. Faure was doomed by parliamentary arithmetic, and one speech after another confirmed that its 297th day would be the last for his government. Everything seemed a formality. In accordance with the new procedure, for an hour deputies climbed the rostrum to deposit their ballot in person. Boredom reigned amid the lobby wizards awaiting the result. Then came the shock; 318 votes were polled against M. Faure—more than half the total number of deputies—and the constitutional conditions that would allow the government to dissolve the Assembly were thus fulfilled. The routine crisis was suddenly transformed into a historical occasion. Would this government dare to use the weapon of dissolution, which had been rusting in the constitutional arsenal since 1877?

The question was the more intriguing since the application of this legal procedure would achieve what, according to the opposition, was the real aim of the government: an early poll without any change in the unpopular electoral system. Many deputies had voted against M. Faure in order to prevent just that. A crisis, they had argued, would put everything back in the melting-pot and foil the governmental "plot" for an early election. But they carried out their counter-offensive with an excess of zeal and thus defeated their own ends. By a handful of votes they gave M. Faure, or rather his MRP and conservative ministers, an excuse to dissolve the National Assembly without giving it a chance to alter the voting system first. After some hesitation the government seized this opportunity.

Elections and electoral reform were clearly at the heart of Tuesday's debate. The choice of the next subject to discuss was merely a pretext. With his majority shaken by events in North Africa, M. Faure thought that the prospect of early elections would keep it together, but, when this project became entangled in the parliamentary labyrinth, he tried to please, or outwit, everybody and reaped only the fruits of suspicion. The opponents of an early poll, the partisans of reform, all those who mistrusted the Prime Minister's designs joined forces with the Gaullists who were still smarting over the Moroccan affair. The government's fall was a foregone conclusion.

This certainty added a light-hearted touch to the proceed-

ings. The Assembly laughed when a speaker compared M. Faure to Seyes, who when asked what he had done during the Revolution answered, "I lasted." It laughed even more when another claimed, in a curious metaphor, that one could see teeth in most deputies' eyes. M. Mitterand, acting as the chief spokesman of the Mendésist opposition, accused M. Faure of contempt for parliament—a somewhat ill-fitting indictment—and, more concretely, of an ill-concealed attempt to preserve the existing system of *apparetements*. The Socialist representative spoke in the same vein, followed by M. Duclos, the Communist leader, who proclaimed that this time his party would not come to M. Faure's rescue. Indeed, it was M. Duclos who raised the only important question of the debate—that of alliances. Turning to the Socialists, he asked them bluntly if—should a system involving alliances prevail—they would agree to work with the Communists. His implication was either a popular front on the 1936 lines, or else, beware.

The degree of Communist untouchability will play a key role in next January's elections under the present system. If Communist voters and deputies should remain outcasts, even in this period of "co-existence," the Rightist

According to the latest reports, elections to the National Assembly will be held on January 8th. Parties thus have five weeks to form alliances or *apparetements*. If either a party or an alliance gets over fifty per cent of the votes in a constituency, it pockets all the seats. If no absolute majority is reached, seats are divided through a form of proportional representation.

Dissolution was last applied by President MacMahon. Article 51 of the present constitution states that, if within a period of 18 months two governments have been defeated in a vote of confidence or censure by an absolute majority (actually 312 votes) the Council of Ministers can decide to dissolve the National Assembly. The President must issue a decree in conformity with that decision and elections must be held between the 20th and the 30th day after the promulgation of this decree.

majority will continue its rule. This was the tacit assumption of the champions of dissolution without change in the electoral law. But this project may yet turn against its authors. It is not impossible that the indignant and frustrated Socialists will look to their left. Despite the warnings of their national headquarters, many local Socialist parties may not turn a deaf ear to the wooing of M. Duclos; the *apparentement* might prove the illegitimate father of the popular front.

In all the calculations and permutations that are now being worked out in Paris there is one unknown factor—the ordinary voter, who for once cannot be left out of account. His choice may be distorted, he may be bewildered by all sorts of misguiding labels, but he cannot be gagged. If he is shocked by the record of the present majority and sees in dissolution merely a trick played by the “outgoing syndicate” in order to return, he can prevent this process of reincarnation by shifting his vote, by withholding it from the *apparentement*. But what is the real mood of the French people? Judging by the comments in the French press a dissolution may equally well be presented as a salutary move to get rid of this *chambre introuvable* or as a fraudulent attempt to preserve its spirit. In these circumstances it cannot be easy for the average Frenchman to make up his mind nor for experts to guess his reactions. The verdict of the French people may prove as surprising as the time-bomb which exploded in the Palais Bourbon this week.

Red Blueprint for Germany

THE Soviet German National Front has now issued its programme for reunifying Germany as a people's democracy. It is an elaboration of the decisions made at a recent meeting of the Socialist Unity Party (SED) leaders, for whom the Front is merely a facade. The administration has been changed to carry out these decisions. A puppet liberal, Dr Loch, has been put in charge of all-German affairs, without a ministry, in order to facilitate contacts with west German politicians. The demotion of the security administration which took place after Beria's fall has been cancelled and Herr Wollweber has been given a ministry of his own; and the predominance of heavy industry which Moscow has insisted upon everywhere since Malenkov's demotion, has been reflected in the sub-division of the Ministry of Heavy Industry into three, with the appointment of the chief Communist theorist, Herr Oelssner, to head a committee which will try to increase the production of consumer goods without hindering engineering.

The National Front programme is not essentially new. It merely states the Communists' aims in the clearer form which has prevailed since the two Geneva conferences. It repeats first and foremost the Soviet declarations on the need for a security system, and then sets out the methods of achieving the parallel Soviet demand that reunited Germany shall be a “peace-loving and democratic” country. Four terms are laid down: the “German Democratic Republic” must be recognised; there must be negotiations on a basis of equality between the Federal and Pankow governments and an all-German Council must be set up which will work out the status of reunited Germany; in the

Federal Republic all “militarists” (by which the Communists mean supporters of Nato) must be removed and an end made to the “dictatorship of the 150 multi-millionaires”—a phrase recently coined by Herr Ulbricht. The cold war between the two German states must be ended by collaboration in economic and cultural fields. More delegations must be exchanged, and contacts between the populations must be developed. Subversive activities against the German Democratic Republic must stop. The last demand has for years been a particularly hot favourite of the Communists. It means that RIAS (the American-sponsored wireless station in West Berlin) and various other organisations in West Berlin which keep up the spirit of resistance in the Soviet Zone must be closed down. At the same time, of course, underground Communist subversion in the Federal Republic will continue, as the free trades unions and the Social-Democratic Party have to be captured, and Dr Adenauer overthrown.

This section of the National Front programme should be seen against the background of post-Genevan propaganda in the Soviet Zone, which stresses that the internal political system in reunited Germany is just as important as the country's exclusion from military blocs. “The basic issue—the character of a reunified Germany—has been clarified,” speakers have reiterated. One recent commentator went on:

Naïve people have sometimes asked what should be changed in the German Democratic Republic so as to enable Germany to be reunified. This is now over and done with, for Geneva has made it clear that it is not in the Democratic Republic that changes are necessary. There nothing exists which runs counter to a peace-loving democratic Germany.

Such statements should end all doubt as to whether Mr Molotov might not have agreed to free elections if the West had accepted the Russian proposal for a “security” system.

Shoddy Goods

The National Front programme has a second section, dealing with the East German economy. It is an echo of the current Soviet insistence on the need for Soviet Russia to catch up with America in technology and productivity. The German workers are told that their attitude to work must change; they must stop producing shoddy goods just for the sake of the pay-pocket, now that the works belong to them and not to capitalist exploiters. This exhortation is very revealing, when it is considered that the Germans—as they have shown so miraculously in the West—are by nature among the world's hardest, most skilled and conscientious workers, almost fanatically devoted to their enterprises. The reason for their change under Communist rule can doubtless be found in the preference given to men who are politically sound rather than skilled, and to the inherent inefficiency of the Communist planned economy—to which the West German business men dealing in interzonal trade bear witness.

It has always been evident that the German Communists realised that they must raise the economic level of their territory before they can hope to secure support for reunion on their terms among sufficient West Germans. For this reason, the National Front programme always has been and still is, a long-term plan, and the latest version only re-emphasises how essential it is to strengthen the Democratic Republic.

In view of the vital importance to the Communists of this part of their programme, it is obvious why they should be extremely angry and worried about the number of young men and scientists who are leaving for better jobs in the Federal Republic. In October 9,200 youths arrived at the western reception camps, or 1,300 more than the previous month's total, and there were many thousands who came illegally. From 1949 to September 1955, it is estimated in Bonn that no less than 700,000 young men under 25 have fled westwards. It is small wonder that Herr Ulbricht is threatening their relatives with reprisals, and that Communist broadcasts denounce the refugees as traitors who will meet deserved punishment when Germany is reunited. But such denunciations will not bring the culprits back, and will give them a personal interest in opposing reunion on the lines of Herr Ulbricht's National Front.

Colombo Plan Optimism

AT the meeting in Singapore last October of the Colombo Plan's consultative committee the representative of India was the most outspoken critic of the Plan. He argued that economic development in the region was entering a new phase in which the provision of still larger lumps of external capital aid would be necessary. In the fourth report* of the Colombo Plan, which has recently been published, the authors are careful to avoid any direct reference to the Indian point of view. And, though the welcome decision to extend the Plan for a further four years until June, 1961, has been taken, there is no indication that the question of increased capital aid, as distinct from technical aid, is under consideration.

The report itself is mainly in an optimistic vein, though no attempt is made to conceal the problems facing the region. Indeed, with the population increasing at a rate of something like 10 million each year, and with levels of food consumption remaining below prewar in spite of all that has been done, it would be difficult to minimise the task ahead. Yet there are a number of encouraging features in the progress made during 1954-55, the period described in the report.

The flow of investment in both public and private sectors gathered further strength during the year, and the fact that the supply of machinery, plant and other capital equipment was more readily available in the world, and at somewhat lower prices, meant that actual outlays on development were substantially greater than in earlier years. Production was generally higher in 1954-55 than in the previous year, but the report is careful not to attribute this entirely to the development expenditure so far undertaken; the influence of favourable weather conditions and of a high level of world demand is fully recognised.

It was, indeed, a good year for most of the commodities produced by Colombo Plan countries. The production of tea, rubber, sugar, cotton and tin were all up, and in most cases the prices obtained were favourable. The important exception was rice and, by contrast with the rest of the region, the rice-producing countries, especially Burma and

* H.M.S.O. 5s.

Siam, had to contend with unfavourable terms of trade. Many of the vast irrigation projects are now coming into full operation. India will have increased its irrigation acreage by 5.9 million acres by March, 1956, Pakistan is planning to bring 4 million acres under irrigation and Ceylon's Gal Oya scheme, which will irrigate 100,000 acres, is progressing rapidly. The work done by rural development community centres is also achieving impressive results.

In the industrial sector, the area achieved “remarkable progress,” but the report adds a note of caution. Generally speaking the increased industrial output has been due to fuller utilisation of existing capacity, and in future further advances will depend on the installation of new capacity. Particularly good progress has been made also in the production of electric power. India, for instance, expects to have added 1.2 million kW. to its generating capacity by the end of its first five-year plan.

Welcome for Foreign Investors

When it comes to discuss external assistance, the report dwells on the advantages of attracting private foreign capital, and it has good words to say about the better hospitality now afforded foreign capitalists by most of the Asian member countries. The creation of new institutions, such as the Indian Industrial Credit and Investment Corporation, in which private capital from Britain, the United States, and India participates along with the Indian government and the World Bank, is warmly applauded. Pakistan, too, is taking active steps to encourage foreign capital, and most other countries in the region have announced more liberal policies towards foreign investors.

The coming year, however, is likely to be crucial for the future of the Colombo Plan. During the next few months, India, whose role in the region is considerable, will be announcing final details of its second five-year plan. The shape of its policies will clearly be of great importance to the other Asian members of the Colombo Plan system. Simultaneously, big new developments are pending as the Soviet Union vies with the United States and other Western countries with offers of economic aid to the region. The Colombo Plan, however, has firmly established itself as an instrument of good in South and South East Asia; but no effort must be spared to maintain its momentum.

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The Big Whale Hunt

BY A CORRESPONDENT

THE nineteen expeditions now heading for the Antarctic for this winter's whale hunt have had their catch quota cut from 15,500 to 15,000 blue whale units. For several years fears about the future of whale stocks have led to successive cuts in the quota, but the limit now imposed is perhaps the lowest that will be tolerated. Much capital is sunk in this highly lucrative business; the Netherlands, for instance, have this year commissioned a big new factory ship which will operate in the Antarctic with eighteen catcher boats, six more than last winter. Obviously, to support an expedition on this scale, a large catch is necessary if a profit is to be made. It is encouraging for the industry that there has recently been a hardening in the whale oil market; advance sales have been made this autumn at £85 a ton compared with £78 last year, and a further improvement is expected.

In spite of the controls imposed on whaling since the war, and in spite of the very heavy capital investment and steeply rising level of operating costs, the industry has a remarkably good profit-making record. Nevertheless, the number of expeditions, the number of vessels composing each expedition, and the size, range, and power of the individual vessels, have increased far beyond what is necessary to fulfil the quota. As a result, the whaling season has grown progressively shorter, and the two to three hundred whaling ships have lain idle for the greater part of the year. Half as many vessels operating for a longer period could catch just as many whales. But every expedition is out for the largest possible slice of the limited cake, and is inexorably driven to employ more and more boats, and bigger and faster boats, in order to be sure of achieving a large enough catch before the quota is reached and the signal received to stop catching. An attempt to check the inflationary trend in whaling fleets was made last season, when, on Norwegian initiative, a voluntary agreement was concluded by the whaling companies to limit the number of catcher boats attached to each expedition. Unfortunately, it was not possible to get the agreement renewed this year, and more catcher boats than ever are on their way to the Antarctic, even though the number of whales they are allowed to catch has been reduced.

Keeping the Rules

Whaling, always intensely competitive, will obviously be even more competitive this season, and the international whaling agreement will be subject to exceptional strain. The agreement lays down not only the total catch quota, but also a number of regulations, such as the size of whales that may be caught. In the heat of a brief, intense hunting season, in boats scattered over the vast Antarctic Ocean, the strain on loyalty must be severe. This season the question of loyalty to the agreement is particularly uppermost because of the charges recently made by the Norwegian Whaling Association against the Panama-registered "Olympic Challenger" expedition owned by Mr Aristoteles Onassis. The Association alleges, with much supporting detail, that Mr Onassis has broken very nearly all the regulations that apply in the industry, and as a result has achieved a pro-

duction of whale oil worth more than £3 million. The Norwegian charges are now being studied, but in the meantime the "Olympic Challenger" expedition is again on its way to the Antarctic. The Norwegian and German seamen's unions have armed members of the crew (mostly Germans) with copies of the whaling regulations. So far, neither the Panamanian government nor Mr Onassis has made any statement or explanation.

It would be a pity if the international whaling agreement were to be disrupted through the disloyalty of an individual expedition. Obviously its maintenance, and thus also the maintenance of whale stocks, depends on mutual trust and confidence. On each expedition there are inspectors, but these are nationals of the country of registration. At the international whaling conference in Moscow last summer the Norwegian delegation proposed the appointment of an additional neutral inspector for each expedition. This reform, which is now being studied by the governments involved, cannot be introduced this season, and it is doubtful in any case whether Russia, for one, would accept it.

In spite of upsets and difficulties, it would be wrong to paint too gloomy a picture of the present position of the whaling industry. The co-operation achieved since the war is remarkable compared with the cut-throat conditions that prevailed before the war. That such countries as Britain and Russia, Norway and Japan, South Africa and the Netherlands, have been able to agree on common rules of conduct in the intensely competitive world of Antarctic whaling, is one of the more encouraging examples of practical international co-operation, and gives grounds for optimism about the industry in the future.

Taking Stock of FAO

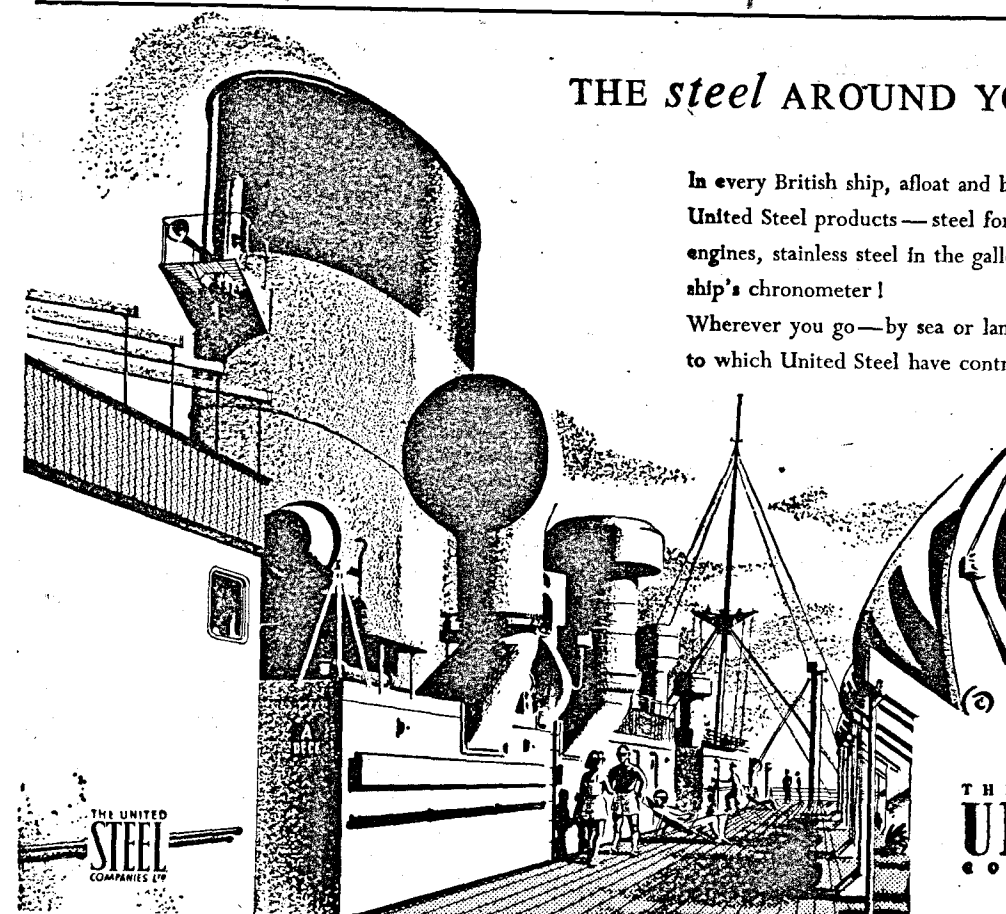
FROM A CORRESPONDENT

FOR a body whose most intractable problem is the disposal of surpluses, the word stock-taking has an unpleasant ring. But there are other factors besides the bulging granaries of the New World which tend to put into an unfavourable perspective the achievements of the UN Food and Agriculture Organisation, whose tenth anniversary has just coincided with its biennial conference in Rome. For it is heir to the ills that affect all organisations of this type. It has for instance no executive powers, but must work exclusively through kindness and persuasion. The task of securing even a small measure of agreement between its seventy odd members is so formidable as to make the acceptance of even the most modest recommendation a matter for congratulation.

Concerted action would not, however, be so difficult if FAO decisions were always reached according to technical considerations. But the part played by experts in shaping policies appears to be declining with the passage of the years. One result is that the diplomats and financial experts have come more and more into the limelight and questions of national prestige, often on minor matters, have given rise to unedifying squabbles. Moreover, FAO has found its field of operations increasingly invaded by existing and newly established international bodies; and the difficulties to be overcome in order to secure both a clear line of division and effective co-operation between FAO and Gatt

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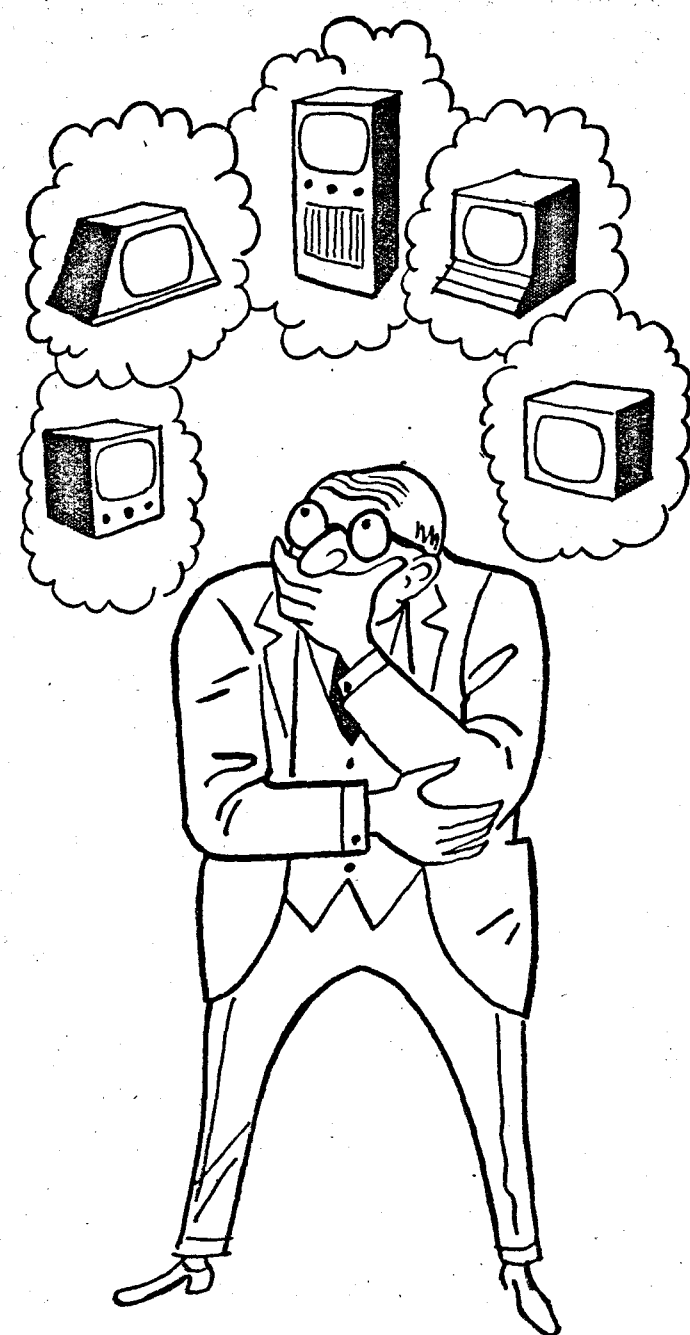
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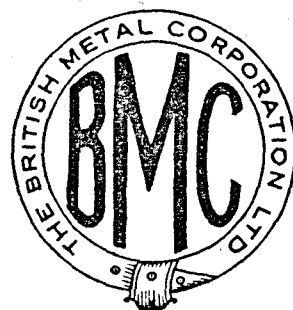
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or one of the other UN specialised agencies can easily be imagined. The very close liaison formed between the Technical Assistance Board and the FAO has led to an encouraging expansion of expert services to the under-developed countries, but only at the price of delay in the submission of the final technical assistance programmes and one of the tasks of the recent conference was to find means of reducing the administrative dislocation and uncertainty that this caused.

With even the most brilliant team of administrators, it would be surprising if FAO could overcome such an array of obstacles; and in fact the calibre of its senior personnel has tended to be uneven. Moreover, a recent Management Survey suggested that several sections could usefully be streamlined. But no international organisation takes kindly to the suggestion that all its work is not strictly necessary and the advocacy of economies by Britain and the United States seems to have been largely responsible for getting the former voted off the FAO Council.

The Proof of the Pudding

On the other hand a good deal of patient, thorough and constructive work has been done by experts sent by the FAO to under-developed countries. Their activities stretch from improving farm implements (even in such modest ways as replacing the sickle by the scythe), soil analysis and fixation, irrigation and flood control to a comprehensive campaign to wipe out pests and diseases. The recent conference managed to secure the maintenance and extension of joint regional action to combat locusts in spite of the considerable political obstacles involved. There has been excellent work, too, on the techniques of credit provision, the development of storage facilities, land reform, land tenure and a variety of other matters. The clamour for more assistance that the under-developed countries are making and the growing number of experts that they themselves are providing for export shows that the FAO's efforts in this direction have not been unappreciated or without effect. The pudding may sometimes look inadequate; but it is certainly eaten with gusto. But FAO does not only help backward areas. It acts also as a centre for statistics and agricultural data generally, as a forum for an exchange of views and as a stimulus for a number of useful organisations such as the Foot and Mouth Disease Commission.

It is when the emphasis changes to surpluses that FAO's success becomes a little more dubious. Production may have risen in most advanced countries during the last ten years, but consumption *per capita* in the poorer parts of the world such as Asia and South America is actually still lower than in 1938. The major problem, therefore, is to transmit the surpluses of the prosperous to the less well-to-do parts of the world. FAO has tried hard. It has set up a sub-committee of the committee on commodity problems at Washington to act as a clearing house for ideas on surpluses and has secured acceptance of a code of principles to ensure that disposals will not disrupt existing trade patterns. FAO is not so sure that these principles are in fact being observed and at the conference it decided to set up a working party to reconsider the whole question of surplus disposals. The conference also decided to create a working party to examine price support systems, doubtless with a view to steering nations towards a flexible system of maintaining total farm incomes at a certain level. The

hard fact is, however, that the gordian knot of surpluses will only be cut by a decision on the part of the Americans radically to revise their support policy. There are signs that this agonising reappraisal is in the offing and no doubt the United States Administration will, in reshaping its policy, take into account the danger that an anti-American front might be born out of the grievances of the under-developed areas and of America's competitors over the export of agricultural products.

In Search of Slogans

In the meantime, FAO has been supplementing the gentle pressure exercised on surplus countries by other more concrete recommendations. It has put part of its faith into the building up of larger stocks by under-developed countries as a buffer against crop failures and a greater part still into projects along the lines of the Indian pilot scheme, which supplies to workers on reconstruction undertakings food equal to the difference between present and past consumption and thus does not interfere with existing sources of supply. The keen interest shown in this scheme by numerous delegates is a hopeful sign. But it is clear that the provision of surpluses on special terms will tend to be looked on askance by other food exporting nations.

The trouble is that, like all bodies largely dependent on the propulsive force of ideas, FAO must put forward inspiring slogans. The call for "selective expansion" adopted two years ago neatly fills the bill. Unfortunately, the need at the present time is not only for the maintenance of the admirable work done on improving techniques and output in backward areas but for selective restriction, and for concentration on the more careful cultivation and conservation of high-grade lands rather than on putting marginal areas under the plough. This policy is not likely to strike crusading sparks, particularly among under-developed nations. But by the time the next conference is convened two years hence, the pressure of mounting surpluses may well induce FAO to come out more openly in favour of stronger measures to avoid the explosive situation produced by bulging granaries and starving bellies.

The Sudanese and the High Dam

BY A CORRESPONDENT LATELY IN THE SUDAN

COLONEL NASSER'S project for a high dam on the Nile has so dramatic a ring that it has captured imagination outside as well as inside Egypt. Therefore its implications for those who live upstream of it are escaping attention. The world hears that the Sudan, which is the country principally concerned, is to have half of the "net benefit" of the new water, and since this is more water than the Sudanese are using now, it imagines that they are getting a generous deal. But in fact they are perturbed. In Khartoum, a young government, beset with domestic problems, is being asked to give, now, a decision on proportions that will affect the Sudanese for all time. The issue, to the Sudanese, is not just their share in the immediate benefit (in the technical sense of additional usable water) nor yet the major disturbance to the Halfa

region that was described by the Cairo correspondent of *The Economist* two weeks ago. It is to safeguard a fair share, stretching far into the future, in the waters of the Nile.

The prime object of the dam is "over-year" storage, retaining the excess of high years to supplement low, so that all years are "average" and use can be constant and full. Clearly, the capacity of the reservoir must be very large, enough to cope with a cycle of low years yet with room for the excess if high years come instead: it must never get too full or too empty. Nor can use begin until an adequate starting supply has been accumulated, which means earmarking surplus water for an unknown and possibly lengthy initial period.

The idea of the High Dam was developed from the proposal for a third raising of the Aswan Dam, for flood protection, and as then conceived was combined with a project for flood-escape

The map illustrates the Nile River basin and its surrounding regions. Key features include:

- Geography:** The Nile River flows from the south (Lake Victoria) north to the Mediterranean Sea. The Red Sea is to the east. The Nubian Desert is located in Sudan.
- Political Boundaries:** Egypt, Sudan, Ethiopia, Saudi Arabia, Uganda, Kenya, and Congo are labeled.
- Major Dams:**
 - Aswan Dam:** Located in Egypt near the Mediterranean coast.
 - Sennar Dam:** Located in Sudan on the Atbara River.
 - Roseires Dam:** Located in Sudan on the Nile River.
 - Owen Falls Dam & Power Sta.:** Located in Uganda on Lake Victoria.
- Proposed Dams:**
 - High Dam:** Located in Egypt near the Aswan Dam.
 - Roseires Dam:** Also labeled as a proposed dam in Sudan.
- Irrigation Projects:**
 - Gezira:** A large irrigated area in Sudan.
 - Atbara:** An irrigated area in Sudan.
- Other Features:**
 - Wadi Halfa:** A lake in Sudan.
 - Jebel Aulia Dam:** Located in Sudan near Khartoum.
 - Proposed Canal:** A canal running from Lake Victoria towards the Sudanese coast.
 - Tunnel? (Power?):** A proposed tunnel in Ethiopia.
 - L. Albert, L. Kioga, L. Victoria:** Lakes in the region.
- Scale:** 0 to 200 Miles.

To fix the picture, some round figures are necessary. The population of Egypt is about 20 million, of the Sudan about half that figure. The gross areas under irrigation in Egypt now total roughly 6 million acres, in the Sudan roughly one and a half million. Neither can be considered simply—for example, the Egyptian practice of three crops in two years compares with an annual crop in the Sudan, and fallows differ—and the plain fact is that both countries have enough land, and prospective population, to use any amount of water. The limit, in a word, is water. The average annual flow of the Nile, measured at Aswan, is 84 milliard (thousand million) tons; it has been recorded as ranging from 42 to 155 milliard tons. Four-fifths passes from July to December, with the peak of the flood in September, and much is surplus and lost to the sea. At present the Sudan uses 4 and Egypt 48 milliard tons. Full control, by the High Dam, would add $84 - (4 + 48) = 32$ milliard tons, the division of which is now in question. Between 10 and 12 milliard tons would be lost, mainly by evaporation from the huge reservoir, and the net gain would thus be about 20 milliard tons of usable water—at Aswan. The comparable aggregate benefit of the schemes previously under study was estimated in 1952 at 10 milliard tons. The figure of 20 milliard is clearly an upper limit, assuming hundred-per-cent control: that of 10 milliard is almost certainly conservative. The High Dam project in its present form displaces, but cannot fully replace, the other schemes: they may follow, in the distant future—but with reduced benefit to be shared later.

Possibilities of Development

The half share offered by Egypt refers to the net benefit of 20 milliard (i.e., at the cost of half the 12 milliard loss) and may more than treble the Sudan's present rights. This is a great increase and would certainly cover development for many years. But it covers only development already planned. Both closer cropping and the utilisation of further areas (known to be suitable for development through postwar surveys in which consulting engineers and aerial survey took part) can double—and possibly treble—the Sudan's potential use of water.

The Sudan does not question Egypt's right to the 48 milliard tons now used, but does feel that Egypt had several thousand years start, (and, incidentally, acquired the "cheap" water), and that fair shares should take some account of the totals to date. To accept the present offer means that the Sudanese accept (besides the right of Egypt to draw on all surplus until the High Dam is first filled) a limit of certainly half, and possibly a third, to their long-term development potential—while Egypt may, in comparison, nearly achieve its target. The Sudanese would prefer first to settle shares of the balance of 32 milliard tons (and so, in effect, of the full 84 milliard) and then to be free to tackle such projects as they wished in order to make use of their share ; at the same time they would be ready with consideration and assistance for any project Egypt might propose.

FIGHTER TRENDS

The jet fighters produced in the immediate post-war years conformed to a pattern set by the 5000 lb thrust centrifugal compressor turbojet then current. Aircraft like the French Ouragan, the American Panther, the British Venom, the Swedish J-29 and the Russian Mig-15 all used this type of engine which, pioneered by Whittle, was initially developed by British industry. Weighing six tons and armed with four 20 mm guns this class of aircraft could climb to over 45,000 ft and fly at sea level speeds of between 600 and 650 mph.

In the next generation of fighters two complementary lines of development can be discerned, both based on axial compressor engines which have superseded the earlier centrifugal compressor types.

First comes the direct derivative of the post-war fighter—a heavier aircraft weighing eight to thirteen tons, powered by a bigger turbojet giving 10,000 lb of thrust or (for short periods and with thrust augmentation by re-heat) even greater power. Fighters in this class can clock a sea level speed of over 700 mph and some 900 mph in dives at altitude. In this performance category there comes that version of the Gloster Javelin powered by the Bristol Olympus turbojet, an engine whose fighter potentialities can be gauged by its performance in the Canberra which holds the world's altitude record. And in the development stage is the much more powerful turbojet which will push jet fighter speeds well beyond 1000 mph.

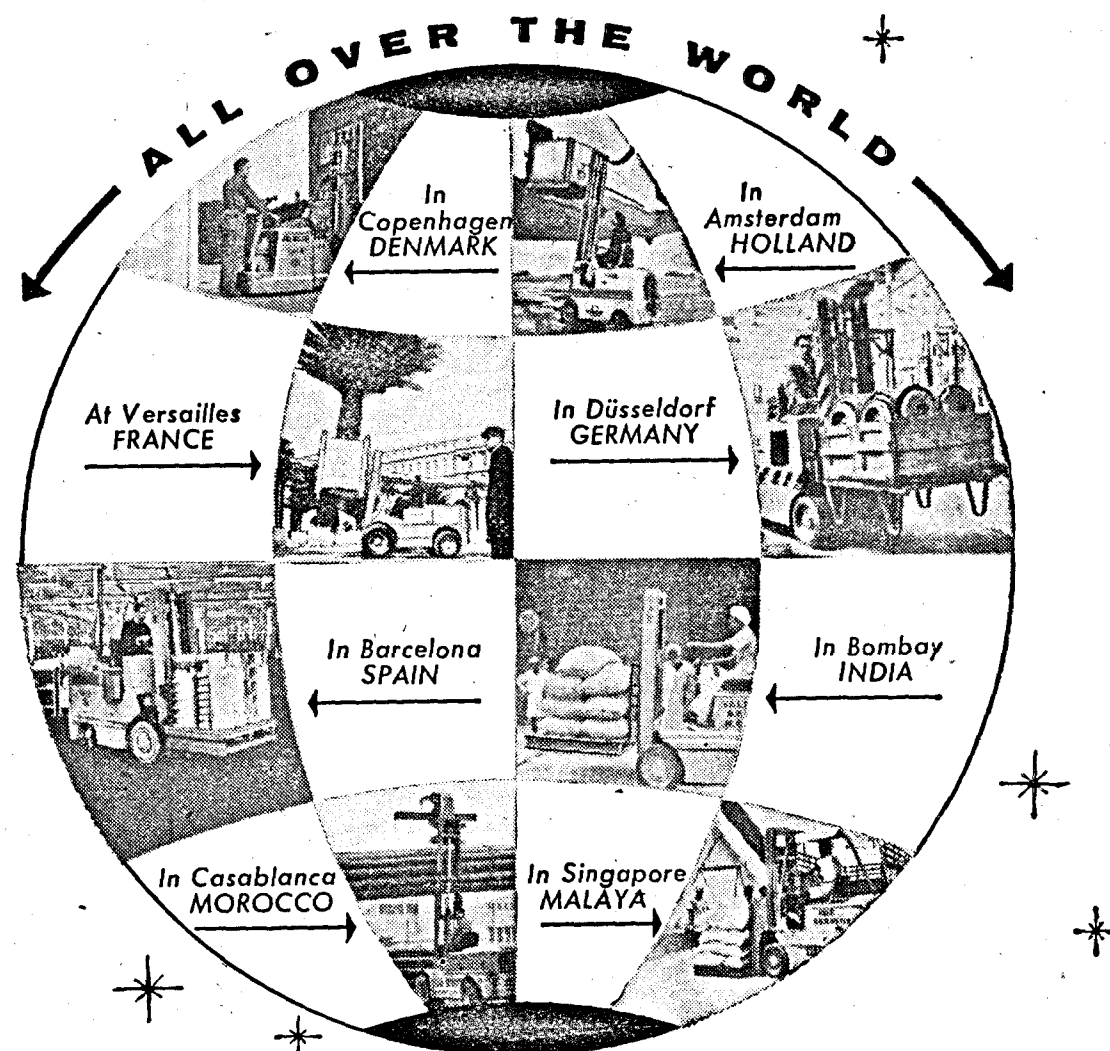
Side by side, however, with these immensely powerful and complex aircraft

there has been in development a simpler, smaller fighter weighing three or four tons, yet which, with the use of a modern 5000 lb thrust lightweight axial turbojet engine, would be in the same speed class as the heavy fighter. The smaller fighter is naturally limited as to the amount of offensive armament it can carry, but against this disadvantage are to be set, among other things, the rapidity and economy of its production.

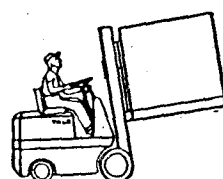
Current European defence thinking envisages the primary role of the little fighter as ground attack rather than bomber interception, but it is seen that for small countries or those unlikely to be involved in the most sophisticated defence problems, the miniature fighter as interceptor could more than adequately serve their purpose. It could, moreover, by being available in larger numbers for a given sum of money, make the vital difference between having an air defence strength above or below the minimum requirement for 'at readiness' security. This minimum is an inflexible figure below which attritional processes reduce combat-ready strength to an unworkable level.

The Bristol Orpheus turbojet was designed to power the three-ton light-fighter (or a twin-engined six-ton fighter). It is already flying in the Folland Gnat, and it has been selected to power the French and Italian light fighters commissioned for NATO. The engine weighs about 800 lb and by comparison with the standards of the large and complex engines of which it is a smaller complement, it will be economical to build and maintain.

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THE BUSINESS WORLD

How Fares the Squeeze?

MANY controversies are current about the mechanics of the credit squeeze, but one fact stands out clearly. It is exerting its effects much more decisively upon the total volume of money than upon that particular portion of it that has been created by the granting by the banks of loans and overdrafts. In the nine months since February 16th—over the whole period, that is to say, since Bank rate was raised to $4\frac{1}{2}$ per cent—aggregate net deposits of the clearing banks have fallen by £145 million to £6,112 million; in the corresponding period of 1954 they rose by £423 million and in 1953 by £374 million. This is a sharp, even violent, reversal of both the seasonal and the secular trend. Over the whole postwar period previously, the index of bank deposits compiled by Lloyds Bank, which is adjusted for seasonal fluctuations, had shown approximate stability only in 1949, and a modest decline in 1951-52. With those exceptions, deposits had been expanding almost continuously, carrying the index to a peak of 112 last February (1948=100). Since then there has been a continuous fall; at the date of the banks' latest make-up (November 16th) the index stood at 105.4, showing a fall of 5.9 per cent, or the equivalent of roughly £370 million of deposits. This is a true reduction, clean of seasonal distortions.

When the squeeze is measured in this way, it appears highly impressive, even dramatic. But much public discussion focuses upon the narrower measure of the trend of bank advances—and, more particularly, advances to the private sector of the economy as distinct from the nationalised public utility industries. By this yardstick, the net achievement looks much less significant. Over the nine months, total advances of the clearing banks have declined by only £86 million, and net repayments of indebtedness by the nationalised industries out of the proceeds of their stock issues on the market must have accounted for the whole of that

decline. This movement, it is true, contrasts with an approximately equal rise in the similar period of 1954; but, contrary to expectations, the rise in advances that had been proceeding in 1954 actually gathered speed during the first phase of this year's credit squeeze.

In the four and a half months to end-June, when advances reached their peak of £2,186 million, they rose by no less than £187 million. Since then they have been reduced by £273 million, but once again a large part of the reduction results from the funding of indebtedness by the nationalised gas and electricity industries. By mid-November the calls on their stock issues had brought in some £220 million, and if allowance is made for their current expenditures and for repayments to non-clearing banks, it appears that repayments to clearing banks must have reached nearly £150 million. Advances to all other borrowers, therefore, appear to have been reduced by some £125 million since June; and of this reduction £20 million (or more) must be notional, because the advances include cheques in course of clearing between the banks' own branches, and these internal clearings were seasonally inflated at end-June.

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The effective reduction in the advances of the private sector therefore still falls well short of the broad target that the banks first set before themselves when they discussed the Chancellor's "request" at the end of July. This shortfall is not, however, any measure of failure by the banks to meet the official wishes, as much popular comment assumes it to be. The Chancellor himself never indicated any quantitative goal; he asked simply for a "positive and significant reduction . . . over the next few months." The much-discussed target of a 10 per cent reduction by the year-end was one devised by the banks themselves, partly as a broad

objective, but mainly as a means of ensuring that, in the effort to meet the Chancellor's wishes, the several banks were agreed about the order of magnitude, and thus might be able to keep more or less in step. If disinflation is imposed by fiat, instead of by raising interest rates to an "equilibrium" level or by full pressure upon the liquid reserves of the banking system, this is a point to which every banker will always attach much importance—lest he, individually, should carry a disproportionate share of the burden (and odium) of squeezing his customers and, worse still, lest competitors should take business that he, in due response to the official behest, feels bound to refuse.

BANK DEPOSITS AND ASSETS

London Clearing Banks	November 16 1955 £m.	Changes on	
		Month £m.	Year £m.
Deposits	6401.7	+ 25.9	-282.2
Net Deposits	6111.8	- 13.5	-320.9
Liquid Assets	2240.9	+ 84.0	- 45.7
Cash	520.2	—	- 14.1
Call Money	391.6	- 16.7	- 60.3
Treasury Bills	1215.2	+102.2	- 2.5
Other Bills	113.9	- 1.5	+ 31.2
Investments & Advances	3951.6	- 99.3	-271.0
Investments	2038.1	- 47.8	-325.9
Advances	1913.5	- 51.5	+ 54.9

The fact that private-sector advances have so far fallen by little more than 5 per cent from their peak is not, therefore, any reproach to the bankers. When it is recalled that the movement since June has reversed a strong upward trend, the banks can reasonably argue—as does an article in the current issue of *Barclays Bank Review*—that the reduction has already been both "positive" and "significant." The movement is, moreover, continuing; and the authorities have made it plain that they expect it to continue. It is far from sure, however, that it will proceed at an accelerating rate; there have lately been some signs of slackening of the decline, or at least of a failure to accelerate.

Inevitably, most of the advances that show the first effects of the squeeze are those that were most readily squeezable. As the *Barclays Bank* article rather platonically remarks:

Further reductions in advances will become correspondingly more difficult, for the obvious candidates have been tackled already, and from now on decisions will involve increasingly complex discussions on what is, and what is not, in the national interest. All such discussions tend to be wearisome, and must, at times, resemble medieval disputations.

It is certain, however, that a good deal of the pressure that has already been exerted has yet to show its effects on the actual amounts borrowed, since by far the

greater part of the results achieved by reviewing existing advances has consisted in a cutting down of borrowing limits rather than in pressure for reductions in advances already taken.

There has also been pressure of the more direct kind—for acceleration of promised repayments wherever possible, or for a speedy search for alternative finance in cases where the loan had been made in anticipation of more permanent arrangements. There is not much sign, however, that the banks have been forcing businesses into a speedier realisation of stocks; and the general appearance of the economy is proof enough that, if the banks have been tough at some points, toughness cannot have been general.

The real force of the squeeze, to the extent that it operates through advances, is, indeed, being exerted more by its impact upon prospective borrowing than upon existing loans. There is hardly room for doubt that the scrutiny of new applications is now a more exacting one than it has been for many years. In their effort to judge advances by the test of "national interest," the banks recognise in principle several categories of applications that merit special consideration—projects calculated to increase exports; projects keyed to national defence; certain types of outlay that promise a saving in imports; and normal seasonal requirements. Under each of these heads, credit-worthy applicants stand a reasonable chance of securing at least a proportion of the finance they seek, but in other categories the tests applied have been steadily tightened up—and the public's knowledge of this has caused a notable contraction in the number of applications coming forward. At this point, at least, there are signs that a new climate of opinion is being created, and as the process continues the change in atmosphere should become more marked and more pervasive.

STAGES OF THE SQUEEZE
(£ million)

London clearing banks	4½ months to June 30 1955	4½ months to Nov. 16 1955	9 months to Nov. 16 1955	Corres. 9 months 1954
Net deposits...	- 84.3	- 60.9	-145.2	+422.6
Liquid assets...	- 79.5	+278.6	+199.2	+215.3
Liquidity ratio*	31.3-30.1	30.1-35.0	31.3-35.0	33.2-34.2
Investments...	-199.4	- 60.9	-260.3	+ 89.0
Advances.....	+186.6	-272.8	- 86.2	+118.1

* Percentage of gross deposits.

It is quite impossible to guess, however, whether pressure of the present kind, and proceeding at the present rate, will suffice. But if it should prove to be insufficient, the responsibility will rest squarely upon the monetary authorities rather than upon the commercial banks. Until end-July, the force behind the credit squeeze was wholly imposed by orthodox weapons: the rise in Bank rate; day-to-day credit management to keep money tight and thus to ensure a firm bill rate; and the sale of bonds by the "depart-

ments" to intensify pressure upon the supply of liquid assets available to the banks. In that phase the banks defended themselves against the pressure on their liquidity mainly by selling gilt-edged securities—and sold securities sufficiently to enable them to support additional advances. Because the squeeze upon advances was not developing as quickly as had been hoped, the Chancellor then reinforced these weapons by his specific request to the banks, and for the past four months the two types of pressure have been operating side by side.

The "request" has served its purpose of speeding

Steel Behind the Curtain

WITH an output of 41 million metric tons in 1954—it may reach 45 million this year—Russia is the world's second steel producer. Its output is not much more than a third of America's but well over twice as high as either Western German or British production (both of the order of 20 million metric tons this year). Set against population, Russian steel output per head is only about half Britain's or Germany's, and not much more than a quarter of that in the United States, which it always hoped to emulate—the two countries have in common at least vast land space, and Russia probably needs even more "transport per unit of production," than the United States. Its total crude steel capacity has expanded faster since the war than America's or Britain's (it was about 20 million metric tons in 1948), and it intends to raise output another third by 1960, to 60 million tons; but because its population is rising faster, too, its output per head seems likely to rise only about as fast as in Britain, and thus to remain about half as much.

Russia has never been a significant steel exporter, but now, in the much-advertised "era of competitive co-existence," it is offering significant amounts of steel-making plant and technical assistance to underdeveloped neutral countries such as India. Its efficiency, state of technique, and real capacity to compete are of growing interest to the West. This autumn's "return visit" to the Russian steel industry by a number of steel industrialists from Western Europe, though limited in scope, was highly informative upon these points. They saw only one corner of this widely separated industry, visiting plants around Moscow, in the Ukraine, and in Georgia in a 10-day flying trip. The British members' official report on the trip may remain confidential. But Sir Robert Shone, executive member of the Iron and Steel Board, who led them, and Mr Frank Cartwright, assistant managing director of the Steel Company of Wales, have made public some economic and technical impressions. The works they saw, not surprisingly, seemed to be among Russia's best: the experts were given frank answers to all their technical questions and often allowed to check them

up the attack upon advances, but it must be regarded as a support and not a substitute for the fullest exploitation of pressure on the banking system by the classical methods open to central banking and monetary control. There is not, in fact, any sign that the authorities are intending to pull their punches; but if they want a bigger total effect than they are getting now, the only sure way of getting it is to leave the banks in no doubt that their liquidity ratios, which have been strengthened recently by seasonal and other influences, will come under strong pressure during the tax-gathering season in the new year.

from factory records. Answers to some of the more searching economic questions remained rather vague.

The Western visitors visited an iron ore mine at Krivoi Rog, concentration and sinter plants, coking plants, one or two steel finishing plants, and two integrated steel works—Zaporozhe in the Ukraine, one of the vast plants built in the thirties, and Rustavi in Georgia, a smaller plant built since the war. In the thirties the Russians put their main emphasis on the economies of scale in integrated plant, and probably underestimated the transport costs entailed in assembling the vast quantities of materials that such plants require. Since the war that has been sharply corrected. Local resources have been exploited, and some plants have been sited near to markets: Rustavi, for example, mainly produces pipes and tubes for the nearby oil industry.

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Much of the Russian plant resembled the American in design—a legacy of technical aid in the inter-war years. Technically, it impressed the British visitors as being standardised on good Western practice, rather than displaying outstandingly new developments. Some of the technical points they noted were:

1. The Russian industry is founded on large and widespread deposits of iron ore, still comparatively abundant and cheap by British standards, though the expansion of output is working its way through the richest deposits. The Russians are now working on a balance of the best and lower-grade ores, sintering extensively. Supplies of low-grade coals, too, are adequate; but the coking coals are more scarce and are high in ash and sulphur content.

2. Widespread use of high top pressure allows high driving rates in blast furnace operation. Zaporozhe has five blast furnaces, all of 26-foot diameter but varying in capacity, producing from 1,000 to 1,750 tons of iron a day.

3. Similarly, remarkably fast driving rates were observed in steel making. The 10 200-ton fixed open hearth furnaces at Zaporozhe (using 70 per cent hot pig-iron with a very low phosphorus content, and elaborately

graded scrap) were averaging 7½ hours from tap to tap, and 4,500 tons per week per furnace.

4. All the plant the team saw was elaborately instrumented—"no instrument one could think of was missing."

5. In comparison with its crude steel capacity, Russia is clearly short of modern finishing plant—especially of strip mills. If its intention that 40-45 per cent of ingot output in 1960 should eventually be made into flat products is to be fulfilled, it will have to build a large number of mills at home—which might affect what it could offer abroad.

6. Most of the works were well, if rather widely laid out: a high standard of housekeeping on actual equipment was combined with much less regard for offices, canteens, and amenities.

Output per head in these large integrated plants, Sir Robert Shone estimated, was "broadly comparable" to "the top end" of British plant, which produces about 25 per cent of British steel. This seemed to be a great advance on 1945, when British steel trade unionists said productivity was well behind the British. Russian steelmen still count American standards as superior—and as a goal.

To translate such comparisons of productivity into cost is an intelligible exercise in the context of the steel industry alone, though not in terms of Russia's managed currency or its general cost of living, which is inflated by a swingeing turnover tax on food and essential consumer goods. Taking wages in the steel industry as a datum, Sir Robert made some interesting comparisons with the British industry. Iron ore is cheap: a lower-grade ore (38 per cent iron, sintered to 60 per cent iron content), was available to the blast furnace operator at little more than a third of the cost of comparable (imported) ore in Britain. Coking coal was slightly dearer; but other coals cheap, particularly in relation to oil, so that a shift was observed at one plant from oil-

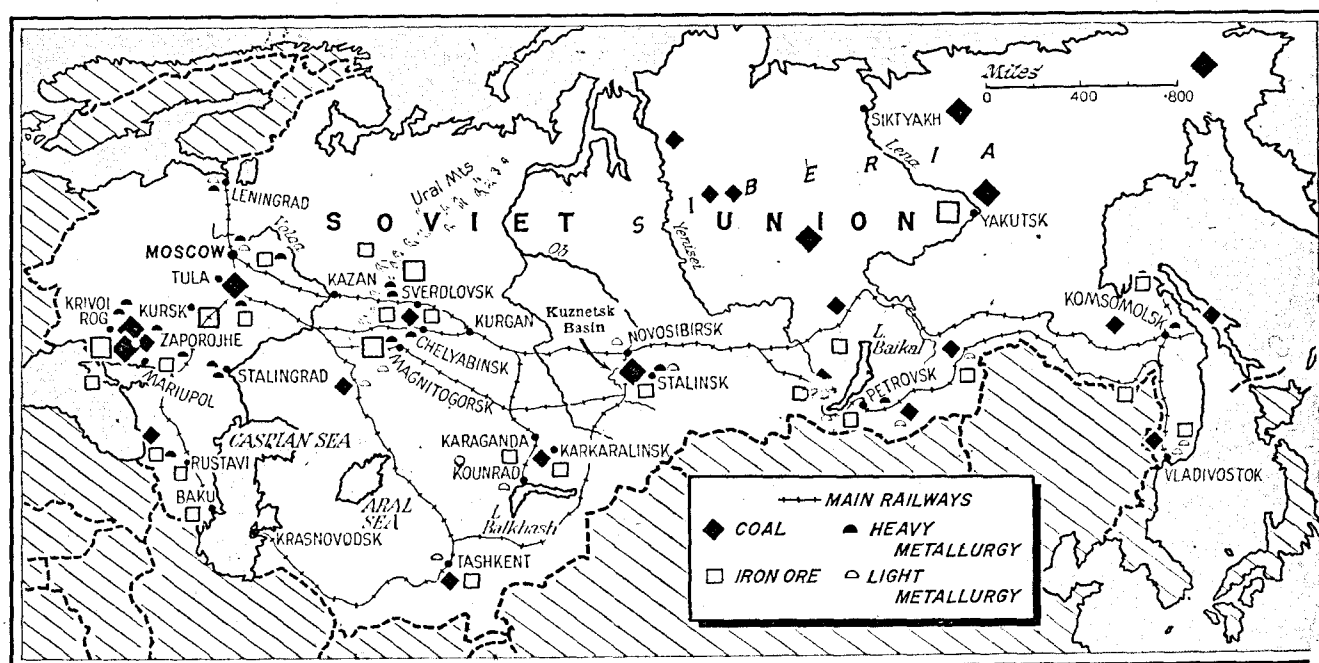
firing to producer gas. This may be one sign, among others, that the Soviet oil industry is failing to keep up with general industrial expansion there. Scrap is price controlled at a rather higher level in relation to wages than in Britain.

THE RUSSIAN EXCHANGE PUZZLE

Roubles to £	Wages	Prices of Steel and Hard Goods	Prices of Food and Soft Goods
11.8 (official)...	Double British	Double British	Four times British
20.....	Same as British	Same as British	Double British
40.....	Half British	Half British	Same as British

Steelworks plant appears to cost roughly the same, in relation to wages, as British plant. If wages be taken as equal, management is considered worth much more in Russia. A steel worker gets, say, 1,000 roubles a month, and the works director, say, 7,000 roubles (both forms of pay, incidentally, based largely on incentive systems), while Soviet income tax reaches its maximum of 13 per cent at 1,000 roubles monthly. To earn as much more in net income than a British steel worker with, say, £600 a year, a top manager here would need a yearly salary of £12,000 gross.

In terms of steel industry wages, then, Sir Robert Shone estimated that the total cost of steel—priced at some 600 roubles a ton—appears to be of the same order as British. Rather more surprisingly, the price of "hard" consumer goods—cars, radios, and television sets—also seemed to be about as much in relation to wages as in Britain (which is not to say that they were readily available). Such comparisons, which can only



be in broad terms, fit neither the official exchange rate of 11.8 roubles to the £ nor the cost of subsistence on food and soft goods, which are so high that they would justify a rate of 40 roubles to the £. Sir Robert concluded: "If trade could be imagined as flowing freely between the two countries, I am inclined to think that the exchange rate would settle at much nearer 20 than 40 roubles to the £."

That deliberate loading of the dice against essential items of consumption by a turnover tax, combined with a low basic rate of interest, is Russia's way of achieving vast forced investment without (since its postwar currency reform) internal inflation. Even as moderated by occasional political concern for the consumer, by Western standards it might be considered capitalism with a brutally big "C." It is backed by a tremendous educational output of technically and scientifically trained manpower. Investment in "heavy metallurgy," moreover, seems in 1954 to have been unchecked by the slight extra emphasis on improving consumption that year. Sir Robert comments:

So long as the Russian worker accepts half the real

standard of living of the British worker and achieves a somewhat comparable level of productivity, Russian industrial products can well be sold cheaply on world markets.

And he thinks there is, particularly in steel and steel goods, "every reason for a very real concern over the competitive power of Russia."

Russia, that implies, can probably afford to compete on level terms, if its vast obligations for housing and internal construction be partly ignored, as they may be. Whether it can afford to or not, in practice Russia certainly will compete on the world market where and whenever this suits its political ends—on level terms or lower. There is as yet no sign that it desires, even for political ends, to export steel. But it does wish to export steelworks plant, technicians and technical practice and the influence that goes with them. And the British team's impressions leave no doubt that in technical manpower, in a fairly comprehensive steel plant manufacturing industry and, clearly, an advanced instrument industry, Russia certainly has these particular goods to back its offers.

Business Notes

Markets Sagging Upwards

WHEN markets drift, they usually drift downwards. This week the drift has been gently upwards. From Wednesday of last week to Wednesday this week the *Financial Times* index of government securities remained on balance unchanged at 90.78. The industrial index, however, showed a modest gain from 189.9 to 190.3. There was good reason for this condition of steady stagnation: institutions that must face the certainty of ending the year with uncomfortable falls in the market values of their holdings are not anxious to make matters worse by selling on a narrow market. And the recent tally of their underwriting commitments leaves many of them in no hurry to buy. In the gilt-edged market the impasse was solved at least momentarily on Thursday when it was learned that of the £5 million 4½ per cent Glasgow loan, 87 per cent had been left with the underwriters. The new stock opened at 1½ points discount; other gilt-edged stocks weakened slightly; but industrials remained better than steady.

Two factors may help towards stability in the near future. If the British November gold and dollar reserve figures, which will not be published until *The Economist* has gone to press, should, as expected, show a substantially smaller gold loss than in October, that would make no red-letter

day, but it might be a steadying influence. Moreover, the fact that the Iron and Steel Holding and Realisation Agency is hoping to launch a public offer this month may mean a short close season for new issues in the gilt-edged market. It is necessary in law to offer the option of tendering at least one government stock (normally Treasury 3½ per cent stock 1979-81) instead of cash and for that purpose a reasonably steady gilt-edged market over the period of the offer would be helpful.

Consett Makes Ready

THE Iron and Steel Holding and Realisation Agency, having waited for steadier share markets, is expected shortly to come forward with another steel share offer. But although markets are steadier they are not hungry enough to swallow a giant like Steel Company of Wales, or Richard Thomas. The only surprise is that Consett Iron Company is the chosen one and that the ordinary shares and debenture stock of South Durham Steel and Iron Company that previously headed the list will have to wait at least until January.

Marketing the Consett £1 ordinary share will involve

more than £10 million. The company's rearranged capital will also include a debenture stock that the agency will retain for sale later. Fixing a price basis for the ordinary shares of a smaller, but important, steel company now is not easy. Yields on the leading steel ordinary shares that are already in private hands range from 3.45 per cent on Stewarts and Lloyds to 5.10 per cent on Colvilles; among the smaller companies yields range up to 5.75 per cent on Thomas Firth and John Brown. But all those yields reflect some discounting of higher dividends in prospect.

About 6 per cent is the probable yield basis for the Consett offer. That intention is based on two considerations. First, Consett historically does not rank among the top handful of steel companies. Secondly, during the period of public ownership the company has had much money spent on it. Loans from the agency at October 1, 1955, stood at £6.8 million. In advance of the prospectus the accounts for the year ended October 1, 1955, have been published and show an outstanding rise in net profits. Before tax, the figure was £2,071,309 compared with £874,127. Evidently the money spent on development is bearing fruit. Part of that money will be repaid out of the proceeds of the ordinary share offer, and part will be represented by the debenture that will remain unsold. The company is now much better organised and equipped than in the past.

Output Restrained?

BRITAIN'S total working population at the end of September was 24,014,000, which is only about 0.7 per cent higher than a year before. But the labour force of the industries that are measured by the official production index, which have steadily been drawing people from the rest of the economy, was about 2 per cent higher than in September 1954. That increase in manpower is of the same order as was attained between 1953 and 1954. The same cannot be said for the increase in output. This week's revised production index for August, provisional figure for September, and forecast of what the October figure will be bring the average for the first ten months of this year to 134 (1948=100), and suggest that production for the year as a whole may run out at about 5 per cent higher than last year. The rise between 1953 and 1954 was about 6½ per cent.

Two-thirds of this year's increase in output, the Chancellor of the Exchequer estimated last month, had come from engineering, shipbuilding and electrical goods, vehicles, paper and printing, and chemicals—which had outweighed lower output in coal and textiles. It does appear that production has been levelling off in at least some of the metal goods industries, though few statistics are yet available to demonstrate this. Whether this is due to the squeeze on home demand—which has now been applied progressively for eight months—is not easy to judge. Output of motor vehicles, one set of figures that does appear fairly promptly, has not yet suffered much—though at the marketing end there are signs that private demand for cars here is now declining more than seasonally.

Gatt Goes on Leave

THE tenth session of the Contracting Parties to the General Agreement on Tariffs and Trade, which opened at Geneva on October 27th, is about to end; but soon after the delegates will have returned to their countries they will again be packing their bags for a return to Geneva for the negotiating conference that opens on January 18th. The 1956 conference will probably last until May 1st. It will be a general round of tariff negotiations in which the United States is expected to indicate how far it is prepared to use the new—and limited—powers to reduce tariffs that were granted to the President under the Trade Agreements Extension Act of 1955.

The session which is now coming to a close was not concerned with tariff negotiations but with a mass of items arising out of the operation of Gatt. The most delicate issue concerned the accession of Japan and the resulting action by no less than fourteen of the thirty-five contracting parties in invoking Article 35 of the Agreement which in effect enables them to ignore the new member, withholding from him the privileges and courtesies of membership and continuing to apply to him all the discriminatory restrictions on trade which contracting parties have agreed to dismantle among themselves except in precisely defined circumstances.

Some of the delegates' time was taken up with complaints about the various waivers that have been granted to contracting parties, excusing them from the full rigours of the Agreement. A United States delegate reported that his country had not in fact imposed any new restrictions on agricultural imports permitted under the waiver granted last March. The reassurance was not too well received by the countries which have been mainly affected by the restrictions imposed under the waiver—Canada, the Netherlands and New Zealand. They judge good behaviour not in terms of maintaining the *status quo* but of gradually reducing the restrictions on the lines that were promised, albeit vaguely, by the United States when the waiver was granted. Belgium surprised the session by seeking to maintain a number of quantitative restrictions on agricultural imports. Coming from such a protagonist of free trade this seems to have had an effect out of all proportion to its real importance—though in sinning thus Belgium can claim to be in impressive company.

Coal—Prices or Planning?

MOST of the people who concern themselves with the likely future expansion of Britain's demand for energy prefer to skirt around one fact that is intimately related to that expansion—that coal, Britain's main fuel, is sold here for much less than it would fetch in a free market. As a result, it is cheaper to waste coal than to save it, and total demand for coal—and for the gas and electricity made from it—must to some extent be over-stimulated. In projecting curves of demand for energy or planning measures to make the necessary extra fuel available, it is

both statistically and politically convenient to assume that demand for fuel is utterly unaffected by price. But the Government can hardly object to dissent on this inconvenient point from a trade that thinks it is being deliberately put out of business by over-stimulation of coal demand at home—the British coal export merchants.

In an ably-argued pamphlet issued this week, "Freedom for Coal," the British Coal Exporters' Federation argues that this central distortion is an essential flaw in this Government's fuel policy. The exporters want the Coal Board freed to set its own prices commercially (these are still controlled by the Government under an ironbound "gentlemen's agreement"), and think that to make the British consumer pay a market price would considerably curb his exuberant consumption, leaving room for foreign trade in coal, import and export, whenever it happened to pay. Failing such freedom of prices, the exporters argue that only coal produced here should be allocated and sold at the artificially cheap price; consumers should have to buy such imported coal as they want at world market prices. If coal must remain so cheap, they would also like to see people who use it inefficiently penalised—this is a somewhat remarkable proposal that the National Industrial Fuel Efficiency Service should decide how much every big factory ought to be able to manage with, and that coal over and above such a "bogey" should be charged at the price of imported coal. On the supply side, they want wider opencast working, more encouragement for the small mine operators, and concessionary coal to be bought back from the miners at full pithead prices.

These "second-best" suggestions sound rather contrived—as the exporters are entitled to say measures of physical planning always do. Theoretically, at least, their case for a free market in coal is probably unassailable—particularly now that alternative primary fuels are being considered on a large scale. There appears to be little chance, however, of its acceptance in Whitehall. In spite of its introduction of the market principle into other sectors of the economy, in fuel this Government seems still resolutely committed to rigged prices and planning.

Scottish Banks Feel the Pinch

THE Scottish banks, unlike the London clearing banks, do not issue monthly statements; it is only from the balance sheets that the extent to which the credit squeeze has affected them becomes apparent. The National Bank of Scotland and the Commercial Bank of Scotland have both this week shown significant reductions in deposits, investments and advances (for accounting years to November 1st and October 29th respectively); the British Linen Bank had previously shown, for the year to September 30th, reductions in deposits and investments but a small net increase in advances. Of the three banks, only the Commercial Bank is paying more to its shareholders; its dividend of 11 per cent on the increased capital compares with an effective rate of 10.2 per cent for 1954.

Deposits of the National Bank of Scotland fell by £7½ million to £105½ million, those of the Commercial by £8½ million to £121 million—a combined fall of over 11 per

cent, compared with the fall of 5 per cent in the net deposits of the London clearing banks in the year to mid-November. Both banks, like the British Linen Bank and four of the big English banks, this year show holdings of government securities at below cost and redemption price, but above market price. The National Bank of Scotland values its portfolio at £51.3 million, compared with £53.5 million a year earlier and discloses a current market value of £49.5 million. The Commercial Bank reveals a reduction of nearly £5 million to £50.2 million (market value £46.8 million); but it sold no investments during the squeeze. The sales were made earlier to finance the acquisition of the Scottish Midland Guarantee Trust.

Lord Rotherwick, the chairman, makes no bones about the fact that the bulk of the £58,451 extra profit that the bank earned came from the hire purchase business of this new subsidiary (concerned mainly in the better end of motor finance). Accounts of that business are not separately shown, but the bank for the first time has to produce consolidated figures embracing a bank (which is allowed to make hidden reserves) and a non-banking business that presumably has to show the whole picture. Advances against hire purchase contracts stand at £7 million (there are no comparative figures since these are the bank's first consolidated accounts). Those advances have been financed partly on overdraft for the subsidiaries account for £516,530 out of the bank's £36,070,722 of advances. But the squeeze on a hire purchase company owned by a bank is just the same as on any other, and the bank has been required to reduce its subsidiaries' limits (which are not the same as actual advances) by 10 per cent this year and by a further 5 per cent in the new year. Like other hire purchase companies, Scottish Midland has been financed largely by deposits. The deposits in the consolidated accounts exceed those in the parent bank's accounts by £4.2 million and that is the mainstay of the financing.

South African Railway Loans

THE South African Railway and Harbour Administration, which has already received assistance to the tune of \$50 million from the World Bank, has this week come into the international market for two more loans, one of \$25 million and the other for £9 million. The sterling is being made available by the release by the United Kingdom government of part of the 18 per cent subscription to the World Bank, capital made in domestic currency. It is being lent to South Africa for ten years at an interest rate of 4½ per cent, including the 1 per cent statutory commission charged by the bank. The net rate is therefore well below the prevailing level of interest rates in London. Even with the 1 per cent commission the rate compares favourably with what South Africa would have to pay if it made an issue now in the open market in this country.

The dollar loan is being made in four separate tranches, \$3 million of three-year 3½ per cent bonds at par, \$3 million of four-year 4 per cent bonds at par, \$2 million of five-year 4½ per cent bonds at par, and \$17 million in ten-year 4½ per cent bonds issued at 98½. These bonds were issued by a banking syndicate headed by Dillon, Read & Co. They

carry an option for the payment of interest and principal in Swiss francs at the fixed rate of 4.30 Swiss francs to the US dollar and a fair line of these bonds will in fact be placed with Swiss investors. The bond issue is the first public offering of a South African stock in the United States.

The loans will be used to finance such schemes as the double tracking of sections of the main line from Johannesburg to Cape Town, the modernisation of the signalling system and further electrification of the Rand, Cape and Natal networks. Additional locomotives, freight cars and passenger coaches are also being purchased. The bulk of the sterling made available by the World Bank will be spent in the United Kingdom.

Hard Times for Celanese

INTERIM reports from British industrial companies are far too few, but the few this year have shown one common tendency. They all refer to the pressure of rising costs on profit margins, or their figures permit that condition to be deduced. British Celanese does not produce an interim report but it gives this year a series of footnotes to an unchanged interim dividend that are as disturbing as any interim profit statement could be. The 3 per cent interim dividend has been earned, but the directors report a substantial reduction in earnings for the first half of the financial year (the six months ended September 30th). The 1954-55 report showed a decline in profit when the other big rayon producers showed rising profits. It is now abundantly clear that British Celanese has not yet been able to arrest the downward trend and is still getting the worst of the synthetic textile industry's fortunes.

The substantial reduction in earnings for the first half of the current financial year, compared with the first half of the previous year—despite the fact that turnover was maintained—is attributed to three causes:

- (1) Higher wages and salaries.
- (2) Increased cost of services and of some materials.
- (3) A highly competitive market in which some selling prices had to be reduced and others could not be increased.

This must be read as a clear warning that the final dividend must depend on the results for the remainder of a year in which rayon output has been running high but British Celanese profits have not. There is much more that shareholders will expect to be told in due course. The rise in material prices has not affected cotton liners, the chief raw material that Celanese uses. Has it arisen on the chemical side? And has it affected the viscose producers as well as the acetate manufacturers? As for the squeeze on profitability, has it been as marked on tyre fabrics and industrial fabrics as on dress goods? If not, the viscose end of the industry may have escaped its worst effects. Above all, how is British Celanese, which has been experiencing increasing competition for some time, adapting its organisation to meet the strain? And is the policy outlined by the chairman last June of acquiring more manufacturing facilities overseas yet bearing financial fruit?

Cancelling the V. 1000

CRITICS of the Minister of Supply in the House of Commons have protested that his Ministry's cancellation of orders placed for the V. 1000 jet airliner leaves this country without a competitor with the big American jet transports now under development for the North Atlantic route. To this Mr Maudling was able fairly to reply that the Americans, for their part, had no non-stop airliner for that route to compete with the Britannia. If the Ministry of Supply is open to criticism at all in this affair, it is that the decision to cancel the order might have been taken sooner.

The V. 1000 was first planned as a civil, 100-passenger development from the Valiant bomber; by this means, it was believed, the cost of developing the airliner would be considerably lower than working up a completely new design. But it proved more difficult to make an airliner out of a bomber than was supposed. The V. 1000 has undergone many modifications; its performance has suffered, and its delivery dates lengthened, with successive changes. Transport Command, which would have taken six of the original aircraft for troop transport, has changed its order to Britannias, and the British Overseas Airways Corporation has never looked to be a potential customer. The Ministry has already spent £2.3 million on the V. 1000, and since neither the services nor the airline are prepared to place orders, there is no possible justification for continuing to spend public money on the project—or to encourage the manufacturers, Vickers-Armstrongs, to dissipate valuable technical manpower on an aircraft with no visible commercial future.

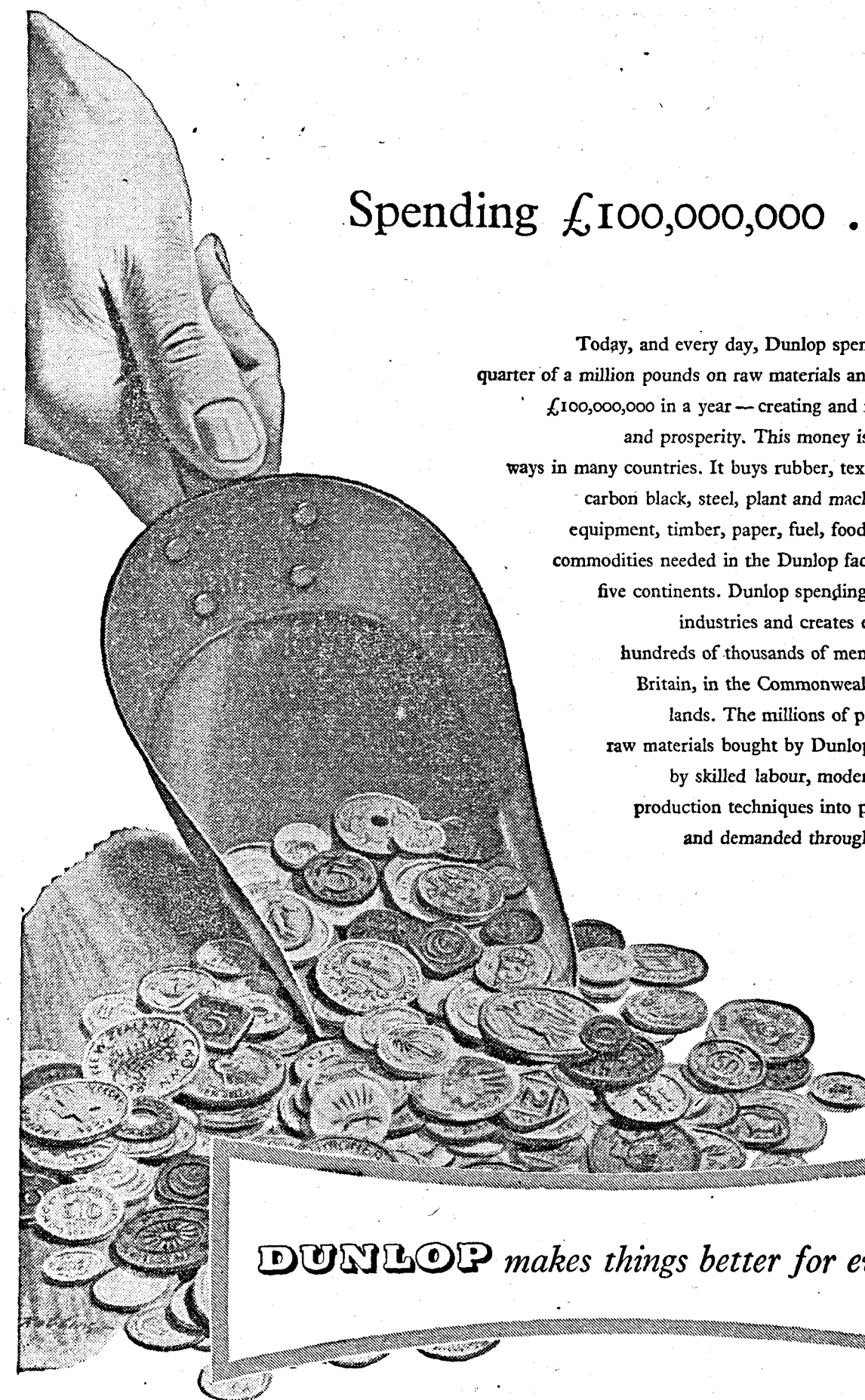
The Ministry has recently given figures to show how much public money has been sunk in specified aircraft since the war, much of it abortive. The figures do not, unfortunately, cover either the Ambassador, the Viscount or the Britannia, commercial aircraft which might have reduced the total.

Type and date ordered	Cost £	Type and date ordered	Cost £
Shetland 1941....	1,000,000	Hermes 1944.....	1,300,000
Apollo 1946.....	1,250,000	Air Horse 1947....	350,000
Brabazon 1945....	6,500,000	Princess 1946.....	8,000,000
Sandringham 1945	120,000	Comet 1947.....	4,250,000
Solent 1946.....	100,000	V. 1000 1953.....	2,300,000
Tudor 1944.....	650,000	Total	25,820,000

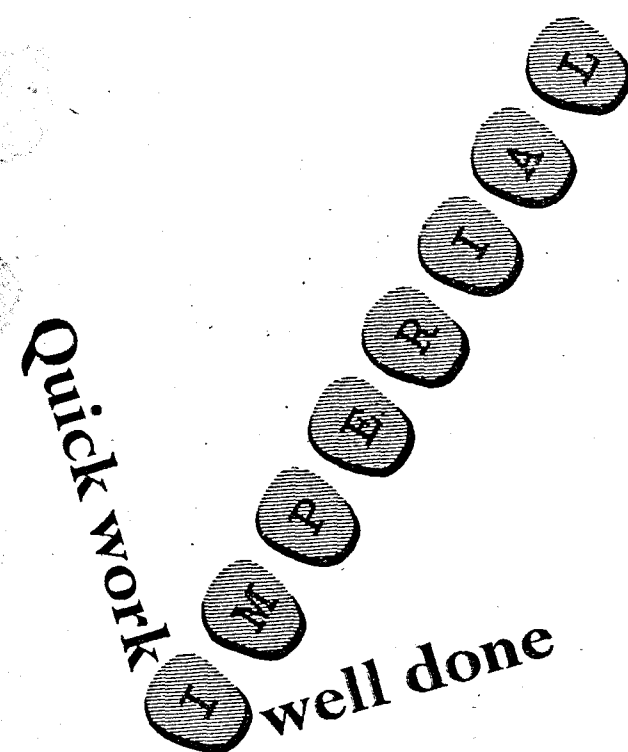
It is useless to press for the development, merely for prestige purposes, of a non-stop jet airliner for the North Atlantic if the design does not suit the needs of operators on that route. It is equally absurd to suggest that this decision marks a decisive defeat for British aircraft. When aircraft development costs on both sides of the Atlantic are so high, and the odds against success so heavy, it becomes almost unreasonable to talk about "British" or "American" transports. In all likelihood the next generation of long-range aircraft will have British-designed engines in American-designed airframes. The first function of airlines is to carry their passengers safely and economically, not to provide a favoured market for their domestic aircraft industries.

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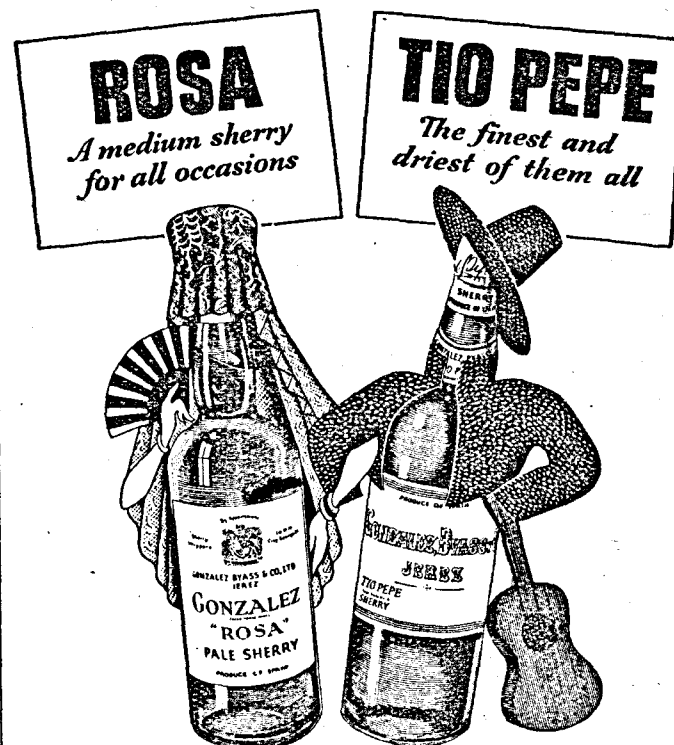


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'Item, it is ordered & decreyed that ev'y p'son & p'sons that may happe to come & repayre to the towne of Liv'pole to fysshe or make fysshe & makyth eny fraye wthin the towne or libertyes thereof to forfeit ev'y tyme XXs. and for ev'y bloode sheddyng a Cs. (100s) during tyme of fysshynge'

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The Cost of Drugs

THE Committee of Public Accounts has a good deal to say in its latest report for the 1955-56 session about the cost of drugs supplied to the National Health Service. The Committee plainly dislikes the method of pricing that is followed in the pharmaceutical industry. Drugs are notoriously difficult to cost; research expenses too are heavy and often fruitless; the most valuable of life-saving drugs, produced perhaps after years of research, may have a tiny market if the disease that they treat is rare. So the industry is accustomed to look for its profits first from newly developed preparations in which a company has a temporary monopoly before its competitors enter the field, and secondly from the bread-and-butter drugs that treat a wide variety of conditions, where profit comes from high turnover.

The Committee has attempted to look into the costing of some of these drugs, especially those sold under brand names—the "proprietarys"—and has reported on finding profits of "up to 60 per cent on selling prices" with a return on capital employed "where it could be calculated" ranging from a loss of 24 per cent to a profit of over 100 per cent. There are many pitfalls and arbitrary assumptions in any calculation of "profits" or of "return on capital employed" for a single line of production. It may be that the pharmaceutical industry is earning a high return on some lines. But what attribution of joint costs and overheads to a particular product proves that this is so? These are not matters of simple demonstration, and the industry is not merely destructive in expressing "fundamental

disagreement with the basis normally adopted by the Government for computing cost and capital employed."

Is it possible, indeed, to attempt to apply methods worked out for government engineering contractors dealing with bulk orders to an industry using a wide variety of chemical processes and one, moreover, that can hardly be regarded as a government contractor in any ordinary sense? The industry supplies its drugs, or the bulk of them, to chemists who then dispense them to the public against doctors' prescriptions. It does not sell in bulk to a government department and it may not be wrong if it declines to accept the accounting procedure evolved for bulk purchases—this itself is not infallible in saving public money. The Ministry of Health has discussed these matters with the industry for a number of years and the industry should be kept under constant pressure for its own good and the country's good. But the costings and profit margins with which the industry is charged in this report are not enough to convict it of rapaciousness.

A Stable Basis for Wool?

RAW wool prices have settled down quickly this season. The opening fall in September was sharp, but soon spent. In the past two months merino prices have been steady, and crossbreds have risen slightly; stability has encouraged buyers to operate more freely, and confidence has fed on itself. Demand in London and New Zealand

How Ordinary Share Yields Have Moved

SINCE the industrial share market turned downwards in the last week of July the adjustment of prices has gone some distance. By the end of last week yield on the Financial Times index had risen by just over a full point from 4.28 per cent to 5.30 per cent. That is a major adjustment if an incomplete one. The charts below show how it has impinged on a few individual shares.

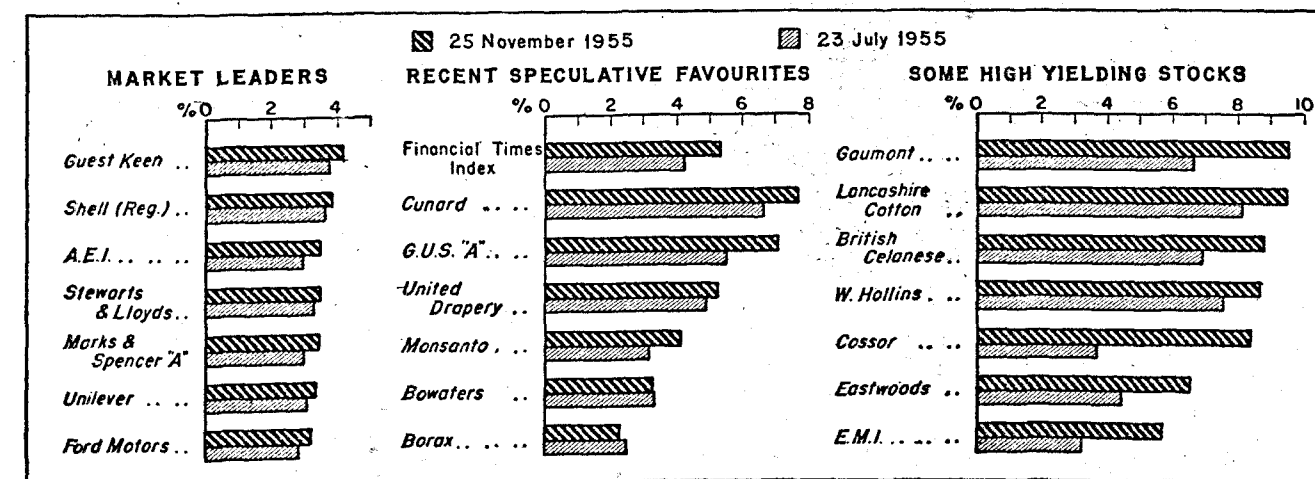
The first picture—the group of market leaders—shows remarkably little

change in yield between the July market peak and the end of last week. Many of them naturally yield less than the index (since the index is in essence an average some yields must be below it), but "blue chip" yields are still modest.

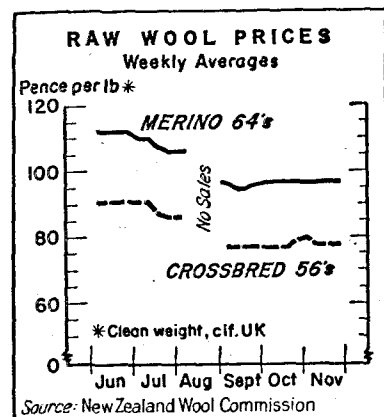
The second picture shows a group of shares chosen wholly because they have been speculative favourites, bought substantially for capital appreciation rather than for dividend. The picture suggests that that type of investor has not abandoned hope. The pattern is irregular,

but two shares actually show lower yields now than at the market's peak.

The third picture shows a group of shares, active but a little outside the market leader class. Here, on the sidelines, upward adjustment of yields has been sharp. In general, the higher the yield the sharper the adjustment has been. If tea shares showing yields well over 20 per cent and rubber shares with yields well over 10 per cent had been included the contrast would appear even more marked.



has been stimulated by an improvement in business in Bradford, notably in coarse and medium quality crossbred tops. China, nowadays Bradford's second biggest customer, has ordered about 2½ million lb of these tops, worth about £750,000. The orders are having an influence that is out of proportion to their size, because stocks of these



qualities are low and deliveries have to be completed within the next few months. In New Zealand and Australia this week prices were a shade higher and the new series of London wool sales opened well, prices for crossbreds and merinos commanding a slight premium over the Dominion markets.

How will prices fare in the New Year? Deflationary policies here and abroad may by then be more effective and the devaluation of the peso in Argentina has increased the competition among sellers of crossbred wools. But it is difficult to believe that the apparent surplus of wool has not been largely discounted; any further fall in prices could hardly be sharp. That is as well for the health of the sterling area. In the first four months of the season, to October 31st the average price of Australian wool was 45½d. a lb, nearly 13d. a lb less than in the same period of last season. Over the same period, for a similar quantity of wool sold, Australia's earnings were nearly £16 million lower at £61 million. Wool is the largest single export not only of Australia but of the whole overseas sterling area and Australia—as many exporters here are now painfully aware—is Britain's largest single market.

Cortisone in Quantity

FROM next Monday, the drug cortisone can be freely prescribed by doctors. This step marks the fact that production is now large enough to meet any foreseeable demand. The general medical opinion of the value of cortisone has undergone considerable change since the drug was first used, with most dramatic effect, for the treatment of rheumatoid arthritis. Its somewhat violent and occasionally dangerous side-effects make doctors reluctant to prescribe it where long treatment is likely to be needed; on the other hand, it is proving valuable in some cases of eye diseases and sometimes life-saving in asthma. *The Practitioner* and other medical papers have recently described in considerable detail its value and its dangers.

Production of cortisone in this country is based on the extraction of the chemical substance hecogenin from the juice of sisal leaves; this chemical is refined and forms the basis for a 20-stage process that eventually yields cortisone. The process is neither cheap nor simple but among its advantages over the original method, still used in the United States, of extracting cortisone from ox-bile, not the least is

the vast resources of raw material. The sisal process was developed out of funds provided by the National Research Development Corporation—Glaxo being the principal producer in this country—and it would not be surprising if licences were taken from NRDC by American cortisone manufacturers.

Charlie's Back!

CHARLIE has been officially reinstated. He was dropped four years ago, along with his wartime companions, Able and Baker, from the standardised phonetic alphabet for airline pilots drafted by the International Civil Aviation Organisation. He was, it was argued, too Cockney, especially for Spanish-speaking tongues. But it was one thing to introduce that Latin music-hall act, Alfa, Bravo and Coca into the alphabet and another to persuade pilots that Coca could ever mean the same to them as Charlie. Most English-speaking pilots have doggedly continued with the old alphabet, so that Icao's intervention has led to more rather than fewer different systems being used on the air networks.

Five changes have now been suggested and agreed, among them the return of Charlie and his friend Mike in place of that unfriendly spaceman Metro. The changes conform very closely to those recommended in a monumental and thorough investigation done in this country for the Ministry of Transport and Civil Aviation. No doubt clarity of meaning in the air will completely justify the proliferation of committees and the years of work that have gone to change five little words. The new alphabet, as it now stands, meets with rather more general approval than the old and is likely to come into use next March by the RAF and Nato as well as with the airlines. If an earthling dare use this double-talk, "Bravo, Charlie."

HP Squeeze Tightens

EVIDENCE is accumulating that the restrictions on hire-purchase finance are now exerting a tighter grip. Figures of contracts for November to be issued by HP Information next week are expected to show a fall of the order of 15 per cent compared with October. Hire-purchase

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sales of radiograms and of television sets (though not of radios) claimed a diminishing share of an expanding total market in October. According to the figures of the British Radio Equipment Manufacturers Association, sales of television sets (helped both by independent television and the seasonal trend) rose from 138,000 to 282,000, but the percentage on credit fell from 55 to 51. Sales of radio sets advanced from 79,000 to 123,000, but the hire-purchase share of that market was more than maintained at 33 per cent, compared with 32 per cent.

Two other recent signs should not escape attention. The first comes from United Motor Finance, which is proposing to alter its capital structure so as to raise further finance. The company, which manufactures aircraft components in addition to its hire-purchase finance business, did well last year, raising its net profit from £61,000 to £125,000. Its preference dividend arrears have been cleared and it may be surmised that the company might have paid an ordinary dividend had it not had to reduce its borrowings (bank loans stood at £977,213 on March 31st) by £250,000. To facilitate the raising of capital the company proposes a modification of the participating rights of the preference shareholders, who are entitled to an extra ½ per cent beyond their fixed 7 per cent for every 2½ per cent above 5 per cent paid on the ordinary shares up to a maximum preference dividend of 15 per cent.

The other piece of news of the hire-purchase squeeze comes from Cannon (Holdings). The company manufactures gas cookers and other domestic appliances, and the chairman, Mr A. F. Oatley, announces the postponement of plans to build a new factory. He complains that makers of high grade appliances have been worse hit than the makers of the cheaper goods, and that it is the control of initial deposits rather than the squeeze on credit that has arrested the company's progress.

Silver on Offer

THE price of silver has fallen by 1½ cents in New York this week and that movement has been transmitted to London, where the quotation has been marked down by 1½d. to 77½d. The fall in New York has carried the price to 90-90½ cents, or below the guaranteed figure of 90.41 cents which the US Treasury is prepared to pay for domestic newly mined silver. The fall in the New York price is wholly seasonal. The jewellery demand for silver in the United States is both formidable and concentrated. After the autumn the requirements for the Christmas and New Year trade have been satisfied and that demand dies down completely. Some persistent but not large offerings of silver by primary producers coming on this quiescent market have caused a sharp marking down of prices. The fall has been intensified by the fact that no effective forward market for silver exists in the United States. It is all cash business, and on any given day offer and demand must balance with no forward market to smooth out the fluctuations. At the price to which silver has fallen in New York this week the strict London parity would be 78.4d., this being the figure at which silver bought in New York at 90½d. could be shipped to and sold in London. The discount to which the

London price has fallen below shipping parity reflects the tendency of potential buyers in this country to await further developments in the United States before coming back into the market.

Castings for Cars

OUTPUT from the iron foundries continued to expand in the third quarter, though not so fast as earlier this year. Total production of iron castings totalled 883,620 tons, 3½ per cent more than in the third quarter of 1954, while in the second quarter production had been nearly 8 per cent higher than a year before. Among foundry customers, the motor industry was still making the pace, taking about 15 per cent more than a year before, and the steel industry's growing output was reflected in the 10 per cent increase in demand for ingot moulds. Demand for castings from general engineering also was high.

Those three classes of customers take about three-fifths of the total tonnage; it seems to have been the pressure of work for them, rather than any marked slackness in other demand, that accounted for declines in deliveries to the pipe business and the railway equipment manufacturers. Deliveries of castings for the building and domestic appliance industries were also down. It hardly seems likely that any expected slackening in building could have affected orders as early as this, but it may be that the hire purchase restrictions on gas stoves and domestic heaters, which take a sizeable tonnage of castings, were beginning to tell by the late summer.

More and Cheaper Meat

BRITAIN can look forward to eating more and cheaper meat next year. Supplies of both home-produced and imported meat should be appreciably larger than in 1955, and it looks as though the public's appetite will have to be whetted by reductions in price. Supplies this year have been somewhat larger than last, the drop in home production being more than offset by the increase in imports and the reduction in stocks. The latest livestock returns suggest that while the increase in home output of beef next year may be small, supplies of lamb will be a good deal larger; the number of breeding ewes in September was seven per cent higher than a year ago and the number of sheep and lambs under one year old was six per cent higher. The decline in pig numbers appears to have been stopped by the recovery in bacon prices, and the price of pork is still high. The extraordinarily good demand for pork this year has surprised the trade; it seems that the Englishman's partiality for pork sausages survived the years of substitutes unscathed.

In New Zealand, Britain's major source of meat imports, output of beef and lamb is rising steadily, and shipments may be at least 20,000 tons higher next year. Aerial top-dressing of land is proving a boon in New Zealand where large areas could not be fertilised economically by any other method. In Australia too, production is rising, in part because the fall in merino wool prices is encouraging those



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British steel leads the world

THE BRITISH IRON AND STEEL FEDERATION

farmers who can switch to crossbred sheep, which carry more meat. But much of the growth in output tends to be absorbed by domestic consumption and shipments to Britain may be little higher than this year. Possibilities of increase are greatest in shipments from Argentina, although plans there so often go awry. If the recent improvement in shipments of chilled beef can be maintained in 1956, total shipments should be at least 50,000 tons larger than this year. The cattle are there; the difficulties are in bringing the meat to market. Altogether supplies of meat in Britain next year may increase by some 100,000 tons, or 5 per cent. An increase of that kind could hardly be absorbed without a moderate fall from the present highly profitable prices.

Plastics in Production

FOLLOWING a recent suggestion of the chemical products committee of OEEC, the Board of Trade is now compiling statistics from the plastics industry showing the output of the various plastics materials, rather than the way in which manufacturers use some of them. This change should give a comprehensible picture of the industry and a comparison of the growth and development of the more interesting materials here with progress in other countries. The new series is based upon returns from 160 manufacturers of plastics materials, and does not cover the activities of the much larger army of fabricators and moulders.

The result, for the first time, is a reasonably accurate indication of output of the two main classes of plastics—thermosetting, which cannot be remoulded once they have set after heating, and thermoplastic, which can.

	'000 tons					
	1951†	1952†	1953†	1954	Jan-June 1954	Jan-June 1955
Thermosetting . . .	130	110	110	143	71	80
Thermoplastic . . .	65	70	100	131	62	82
Total	195	180	210	274	133	162

† Estimates.

Since thermoplastic materials have now become the larger of the two it is to be regretted that polyvinyl chloride and polythene—the largest and the two with the fastest rate of growth—have been blanketed under the miscellaneous category which also includes polytetrafluorethylene (PTFE), one of the promising juniors of this industry. This has been done because of the rule that figures should be masked in this way whenever production is confined to a very few firms. On occasion, such a rule may be desirable: on this one, it seems futile, for the relevant figures are fairly common property in the industry.

The three firms producing "pvc," which is in heavy demand at the moment for non-inflammable belting in the coal mines, raised their output from about 30,000 tons in 1953, to about 40,000 tons last year; it may approach 55,000 tons this year. Polythene production has risen meanwhile from about 12,000 tons, to 20,000 tons, and to about 30,000 tons this year; and it is reaching a very

interesting stage, as ICI's patent expires next February. ICI, which developed the complicated plant to make polythene at high pressure and controlled temperatures, plans to produce 55,000 tons in 1957. By then, however, the plant that Union Carbide is building at Grangemouth should be about to start, and there may be other plants under construction using the greatly simplified low pressure methods recently developed in Germany and the United States.

Rise in Lead and Zinc

THE non-ferrous metals seem to be taking it in turn to demonstrate the strength of the market. Copper and tin held the stage until recently; now it is the turn of lead and zinc. After remaining steady for several months prices of both metals have risen sharply. On Thursday prompt lead closed in London at £110 5s. a ton, a rise of about £2 in the past fortnight; prompt zinc closed at £97 a ton, showing a rise of £4 10s., and the premium over three months was as much as £2 10s. a ton. For some time the price of lead in London has been below parity with the United States, so that Europe has been losing lead to the United States. The London price has now had to rise to draw metal to this market. The adjustment has also been helped by some signs of increased demand and by speculative buying in the expectation of a rise in the American price from 15½ to 16 cents a lb.

The rise in zinc is less easy to explain. The correcting of a miscalculation by some market operators seems to be mainly responsible for the sharp rise in the prompt price, and the rise in lead has helped sentiment. Prices of both metals may slip back a little, but both are supported by the voracious demand of American industry. Should that demand ease, the American authorities are standing in the wings, ready to take more lead and zinc into the strategic stock.

SHORTER NOTES

The fiduciary issue was raised this week by £50 million, to £1,850 million. In the week to Wednesday, the outflow of notes from the Bank of England reached £15.2 million—the first large movement of the Christmas season. The outflow in the corresponding week of 1954 was £17.3 million; in the ensuing three weeks there was a further efflux of £89.5 million. At present, the reserve in the banking department stands at £54.7 million, so that a further increase in the fiduciary issue, beyond the peak of £1,875 million reached in the summer seems certain.

*

Brush Bagnall Traction is a wholly owned subsidiary of the Brush Group, and not owned jointly with Heenan and Froude as was stated on page 774 of *The Economist* last week.

The British Nuclear Energy Conference, an organisation set up by the leading professional engineering institutions, held its inaugural meeting in London on Wednesday. Sir John Cockcroft, Sir Christopher Hinton and engineers of the Central Electricity Authority gave their views on nuclear power developments along now familiar lines. The Conference marked a new stage of promoting discussion among engineers and professional men who will eventually have to play a big part in atomic developments but who have until now had little or no direct contact either with those developments or the men responsible for them. Similar meetings are to be held each month.

Great Universal Stores announces an interim (unaudited) profit for the six months ended September 30th of £10,022,000, an increase of £784,000 over the corresponding half of the previous financial year. Of that increase £247,000 comes from companies that became subsidiaries since September, 1954. The company thus shows a sub-

stantial increase in earnings notwithstanding the hire purchase restrictions. The interim dividend is maintained at 15 per cent on a capital increased both by the new shares issued against the acquisition of Waring and Gillow and by a one for 10 scrip issue.

The most promising application for aluminium in building construction is corrugated sheeting to clothe walls and roofs; and there is a potential market for light aluminium sections in moving structures such as bridges, ships and road and rail vehicles. British Aluminium, which makes both, has now doubled its extrusion capacity for light sections at Warrington by installing two extrusion presses, one of 5,000 tons and one of 3,500 tons, which were obtained as reparations from Germany several years ago. The other major aluminium fabricator in Britain, Northern Aluminium, installed an 8,000-ton press at Rochester during the war and has smaller extrusion presses there and at Banbury.

Company Notes

COMBINED ENGLISH MILLS and HORROCKSES, CREWDSON. These two companies are typical of the more progressive wing of the Lancashire cotton industry. Combined English Mills is a big spinning combine, Horrockses a vertical concern whose interests extend from spinning to the marketing of its own branded goods. Both are in the quality end of the trade. Though each has suffered considerable losses on stocks this year—losses which they have preferred to meet out of profits rather

	Years to Sept. 30, 1954	1955
Combined English Mills		
Trading profit.....	1,255,672	532,004
Provision for taxation not required.....	150,000	100,000
Taxation.....	549,445	88,329
Depreciation.....	125,000	125,000
Net profit.....	655,233	337,953
Ordinary dividends.....	100,469	78,777
Ordinary dividends (per cent).....	8	6

	Years to Aug. 31, 1954	1955
Horrockses, Crewdsen		
Trading profit.....	489,732	395,265
Exceptional credits.....	209,922	359,371
Depreciation and renewals.....	110,722	107,035
Taxation.....	186,058	124,910
Net profit.....	321,489	451,752
Ordinary dividends.....	68,750	71,875
Ordinary dividends (per cent).....	12½	12½

than out of the stock reserves—it is the vertical concern whose profits have suffered least. Horrockses' trading profit fell by roughly one-fifth, whereas that of Combined English Mills fell by more than half. Turnover in the spinning combine must have been affected much more by the lack of confidence in cotton prices, and margins were lower for both companies. Despite this setback the companies face the future with a certain

amount of confidence. The chairman of Horrockses reports that a substantial flow of business has been maintained in the face of increasing competition. He is confident that though the industry as a whole must contract a considerable trade will still be available to companies that can produce quality goods from modern machinery. The chairman of Combined English Mills speaks in similar vein and makes the plea that the contraction should be orderly and not allowed to become a war of attrition. He points out that retail sales in this country continue to be high and that full employment seems to preclude any serious setback in demand; moreover, when current uncertainties over American cotton policy are settled there will be few stocks available to meet the revival of demand. At the moment his own sales exceed production. Having looked to their own energies, both companies then roundly condemn the government for its refusal to protect the industry against imports of cheap grey cloth; that, too, is typical.

TATE AND LYLE. Figures for Tate and Lyle, the sugar refiners, for the year ended October 1st represent another record. Indeed they are more of a record than at first appears, for the company accounts this time to a 52-week period, compared with 53 weeks. Turnover was again a record though only by a hairsbreadth, total sales of 2,111,916 tons showing an increase of 8,590 tons. Profits were well up, the gross trading profit being more than £500,000 higher than in the previous (longer) period. The final dividend of 12 per cent makes 16½ per cent for the year, which allowing for the 25 per cent scrip issue a year ago effectively

compares with 14 2/5 per cent. That dividend is generously covered; appropriations to reserves amounted to £1,450,000 compared with £1,250,000, while the cost of the net ordinary and preference dividends was only £872,913.

These figures by no means surpassed market expectations; the ordinary stock declined slightly to 65s. on the results to yield 5 per cent. They do however seem to show the group in a state of high prosperity. If there is a cloud on the horizon it is that export sales declined last year almost as much as home sales grew. It would be surprising if the export markets were not heavy going when sugar is in surplus, but it is much too early to assume that Tate and Lyle is being beaten out of international markets. The company has yet to show what effect the dock strikes have had. The two facts which are clear

	Years to end September, 1954	1955
Trading profit.....	5,410,496	5,989,912
Depreciation.....	1,065,138	1,294,315
Taxation.....	2,013,823	1,922,598
Net profit.....	1,995,070	2,326,616
Ordinary dividends.....	693,000	830,156
Ordinary dividend (per cent).....	11½*	16½
Appropriations to reserves.....	1,250,000	1,450,000
* Equivalent rate on present capital.		

even from the preliminary statement are that the home market last year showed itself capable of great expansion absorbing 1,421,557 tons compared with 1,287,618 tons, and that the profitability per ton of the company's whole business improved at a time when profit margins in many trades were beginning to be pinched.

ALLIED BAKERIES. This company's latest financial year to April 2, 1955, included the period of the bakers' race. Mr W. Garfield Weston, chairman of Allied Bakeries, was putting pressure on the millers by using imported flour

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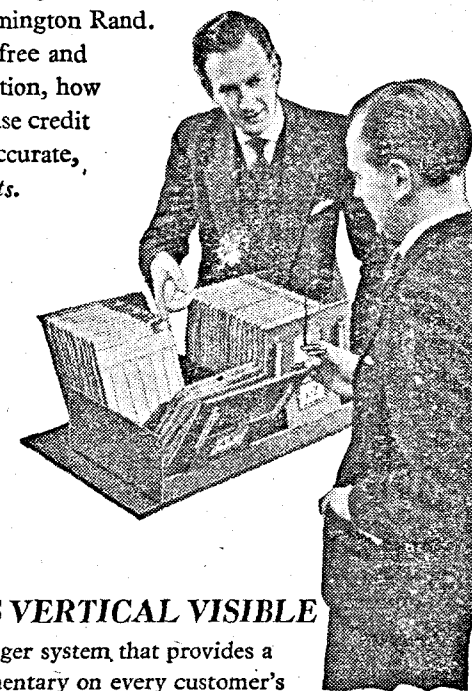
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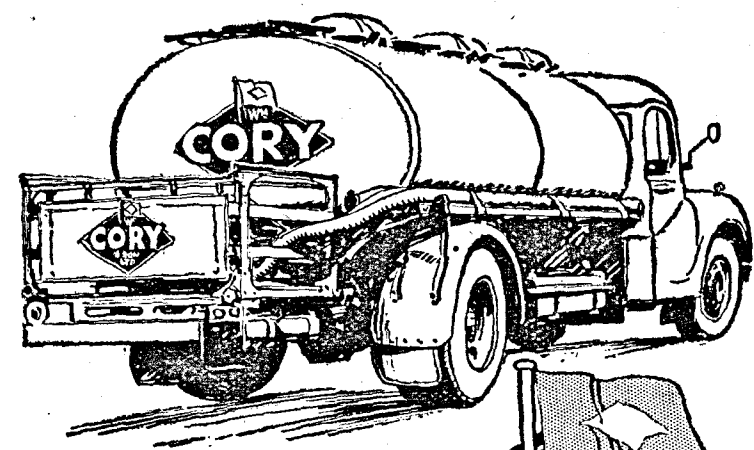
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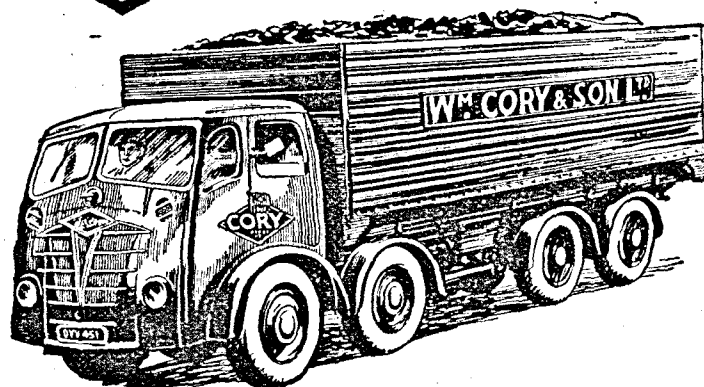
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and the big millers were hitting back by buying their way into the baking business. It was a period of rapid growth for Allied Bakeries; the operating surplus rose from £5,444,266 to £6,082,232, and the net profit after tax from £1,917,046 to £2,410,154. The ordinary dividend has been maintained at 22½ per cent for the year and is generously covered. That growth in earnings is matched by a continuous growth in the whole basis of the business which last year raised its investment in subsidiary companies from £9,705,716 to £11,595,054.

The new investments, of which £5,450,526 come too late to be consolidated, must help considerably in shaping next year's results. To the extent of nearly £3 million, the figure includes the Aerated Bread Company, an investment which will need substantial expenditure on re-equipment and modernisation. Among the trade investments there is £605,000—"a substantial investment not amounting to control"—in Meredith and Drew. Even though Mr Weston does not expect spectacular results from the acquisition of the Aerated Bread Company for several years to come, he clearly does expect the broadening of the business to bring improved results. For the first seven months of the current year he reports a profit increase of about £500,000.

The fruits of expansion and a forward selling policy may provide the answer to a problem that not every baker will find easy to solve. The profits on bread are narrow and full pay packets and rising living standards mean less consumption of bread, not more. Bread distribution is becoming uneconomic except in the most closely populated areas. Mr Weston is aware of these trends and is striving to cushion the impact on Allied Bakeries.

*

SIR GEORGE GODFREY.

The 4s. ordinary shares of Sir George Godfrey & Partners (Holdings) came to the public this summer under the best auspices and almost at the best possible time. The company, which makes air conditioning equipment, was sponsored by Industrial and Commercial Finance Corporation. Application lists opened on July 14th just a week before the *Financial*

Times ordinary share index reached its peak. The result of the offer was dramatic. A well-backed share offering 7½ per cent was received like hot cakes, many applicants went away empty handed, and the fortunate soon saw premiums of up to 10s. a share develop over the offer price of 11s. per share.

It is more striking that in the weaker markets that followed the premium has been held; the 4s. ordinary shares at 21s. now offer a mere 4½ per cent, which is high tribute to the status that investors ascribe to this Stock Exchange newcomer. The accounts for the year ended August 31st naturally add little to the prospectus estimates, which gave a reasonable guess at what the year's figures would show, but the company has now done a little better than that guess. The estimate was for a 20 per cent dividend; the directors' recommendation now is to pay at the rate of 22½ per cent for the short period from July 7th to August 31st. The estimate was that profits after paying

	Years to Aug. 31, 1954	1955
Fixed assets.....	210,263	219,984
Net current assets.....	705,899	975,804
Minority interests.....	188,980	190,124
Net assets.....	727,182	1,005,664

the dividend would leave £240,000 to be reinvested in the company. In fact trading profits rose from £561,041 to £602,323 and after taxation and dividend payments the amount ploughed back is £265,364.

New shareholders can glean much from the chairman's informative review. The company has footholds in Canada, Australia and South Africa. A ready market has been found for its air-conditioning equipment and superchargers. Much can come of the experimental work carried on at the request of government departments, for the company will not be slow to exploit the knowledge and craftsmanship thus derived as commercial applications develop. The chairman, Mr W. D. L. Theed, looks forward to the time when this work will make "a valuable contribution to the expansion of the profit-earning potential of the group." The company has a useful link with Rolls-Royce in the production of oil engines.

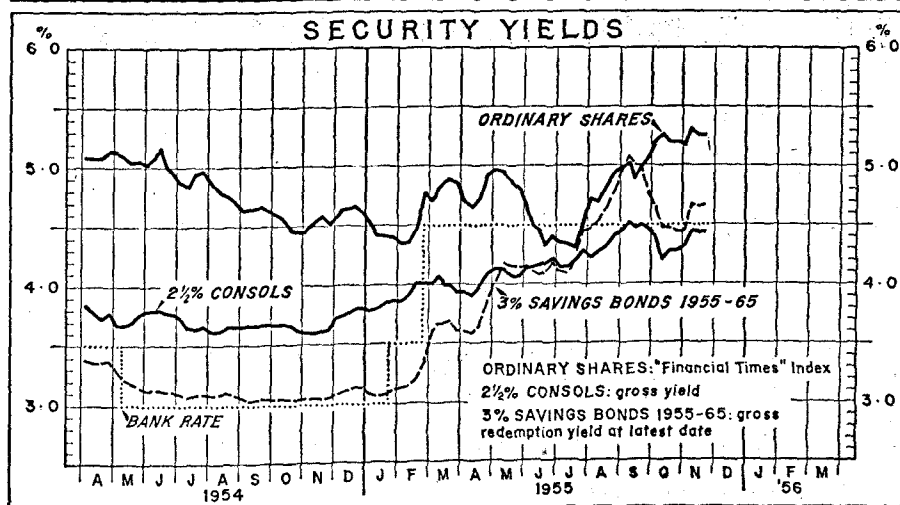
LONDON STOCK EXCHANGE

Next Account begins: December 14
Next Contango Day: December 14
Next Settlement Day: December 16

Throughout the account that ended on Tuesday, business in industrial securities has been limited, and movements in price have been small. The tone remained firm at the opening of the new account and several small gains were made. Gilt-edged securities were unchanged for the most part, although short-dated issues drifted slightly lower during the week, 2 per cent Exchequer 1960 losing 5/32 to 90½ and 4 per cent Conversion, 1957/8, fell to 99, which was 10s. below the price at which it was issued in October. Underwriters were left with 87 per cent of the Glasgow issue.

Bank and discount shares were again weak, Barclays losing 1s. 4½d. to 47s. 3d., and Alexanders Discount 2s. to 44s. 6d. Insurance shares held steady, with Pearl at 22½ and Prudential "A" gaining ½ to 46½. Brewery and building shares were mostly unchanged; but Associated Portland Cement slipped back to 100s. Of the stores, GUS "A" weakened on the interim announcement, and closed on Thursday at 39s. 9d. Debenhams receded further to 33s. 10½d., before recovering to 35s. 7½d. The leading stocks in the electrical field, improved, AEI reaching 80s. 10d., English Electric 63s. 6d., and GEC 63s. British Aluminium advanced to 50s. 7½d., and Turner and Newall to 106s. 3d.; but British Celanese fell to 22s. 10d., on the fear of lower profits. Hall Engineering touched 1s. 2½d. premium, following the heavy over-subscription.

Ford Motor rose to 47s. 9d. on American buying, and Standard advanced 4½d. to 9s. 4½d., on rumours, since denied, of an interest in the production of the new Ferguson models. Oil shares were marked up at the opening of the new account, after losing ground earlier. Ultramar continued to improve, and touched 35s. 1½d. Kaffirs revived on Wednesday, after drifting lower; Dominion Reefs, at 25s. 9d., being 3d. higher on balance. Bancroft recovered to 38s. 9d. in a firmer market for copper shares. Lead and zinc shares rose with the commodities.



FINANCIAL TIMES INDICES

1955	Security Indices,		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Nov. 23...	189.9	100.37	4.34	5.26
" 24...	189.2	100.36	4.34	5.28
" 25...	189.1	100.36	4.34	5.30
" 28...	189.9	100.29	4.34	5.28
" 29...	189.7	100.25	4.35	5.29
" 30...	190.3	99.83	4.35	5.27
1955, High.	223.9 (July 21)	115.97 (Jan. 7)	Total bargains 1955	
" Low...	175.7 (Mar. 15)	98.23 (Sept. 2)	Nov. 23	8,580
1954, High.	184.0 (Dec. 31)	118.10 (Nov. 18)	" 24	8,635
" Low...	131.1 (Jan. 1)	111.78 (Jan. 5)	" 25	8,389
			" 28	10,800
			" 29	10,358
			" 30	9,508

* July 1, 1935=100.

† 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Nov. 30		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Nov. 23, 1955	Price, Nov. 30, 1955	Net Yield, Nov. 30, 1955 %	Gross Yield, Nov. 30, 1955 %	Prices, 1955 Jan. 1 to Nov. 30	Last Two Dividends (a) (b) (c)	ORDINARY STOCKS	Price, Nov. 23, 1955	Price, Nov. 30, 1955	Yield, Nov. 30, 1955 %
High	Low							High	Low				
100 1/2	96 1/2	Funding 2 1/2% '52-57		97 1/2	97 1/2	3 6/8	4 9/10	46/6	34/8 1/2	4 a	36/6	36/6	8 9/10
100 1/2	97 1/2	War Bonds 2 1/2% '54-56		98 1/2	98 1/2	3 3/8	4 14/32	13/10 1/2	10/-	6 b	13/-	13/-	8 7/8
100 1/2	93	War Loan 3% '55-59		94 1/2	94 1/2	3 5/16	4 12/16	39/3	27/-	3 a	35/3	35/-	8 2 1/10
99 1/2	98 1/2	Conversion 4% '57-58		99 1/2	99 1/2	2 14/16	4 8 7/16	36/7 1/2	23/-	8 c	32/3	32/-	8 0 0
100 1/2	96	Serial Funding 2 1/2% 1957		96 1/2	96 1/2	3 7/16	4 7 7/16	54/-	31/2 1/2	34 a	48/1 1/2	47/6	4 4 3/10
99 1/2	91 1/2	Conv. 2% 1958-59		92 1/2	92 1/2	3 13/16	4 13 2 1/16	79/9	42/-	5 a	71/3	72/3	3 9 3
97 1/2	89 1/2	Exchequer 2% 1960		90 1/2	90 1/2	3 11/16	4 10 11/16	47/-	27/6	4 a	41/9	42/3	4 14 8/10
104 1/2	92 1/2	Exchequer 3% 1960		94 1/2	94 1/2	3 0 0	4 8 0	50/-	28/6	4 a	45/6	46/-	4 6 11/10
100 1/2	83 1/2	Savings Bonds 3% '55-65		87 1/2	87 1/2	3 4 11/16	4 13 6 1/16	47/10 1/2	34/-	6 b	40/6	40/-	4 5 0
100 1/2	86 1/2	Funding 2 1/2% '56-61		90	89 1/2	3 11 0	4 14 3 1/16	30/4 1/2	19/6	6 b	23/6	23/6	8 10 3
97 1/2	78 1/2	Funding 3% '59-69		83 1/2	83 1/2	3 6 0	4 14 9 1/16	35/5 1/2	19/6	7 b	22/-	22/-	9 1 10
103 1/2	89 1/2	Funding 4% '60-90		91 1/2	91 1/2	4 10 6	6 7 2 1/16	35/5 1/2	21/7 1/2	7 b	22/-	22/-	9 1 10
96 1/2	77 1/2	Savings Bonds 3% '60-70		82 1/2	82 1/2	3 5 10	4 15 2 1/16	29/6	23/-	6 b	23/6	23/6	7 8 11/10
102 1/2	87 1/2	Exchequer 3% '62-63		91 1/2	90 1/2	3 1 6	4 8 3 1/16	55/3	35/-	6 b	41/6	41/6	4 16 5
99 1/2	82 1/2	Exchequer 2 1/2% '63-64		86	85 1/2	3 7 6	4 10 10 1/16	34/1 1/2	24/8	7 b	25/3	25/3	9 18 0
95 1/2	77 1/2	Savings Bonds 2 1/2% '64-67		80 1/2	80 1/2	3 9 10	4 14 0	36/0 1/2	28/-	2 a	30/-	29/-	8 12 5
95 1/2	75 1/2	Savings Bonds 3% '65-75		79 1/2	79 1/2	3 2 9	4 12 9 1/16	22/11 1/2	17/4 1/2	6 b	20/9	20/6	4 17 7
105 1/2	91 1/2	Victory 4% '20-76		95 1/2	95 1/2	2 16 0	4 12 3 1/16	15/9 1/2	9/0 1/2	4 a	9/9	9/3	6 15 2
98 1/2	78 1/2	Funding 3% '66-68		84 1/2	84 1/2	3 5 1	4 14 3 1/16	21/3	21/3	7 c	22/3	22/3	Nil
103 1/2	83 1/2	Conv. 3 1/2% 1969		88 1/2	88 1/2	3 1 9	4 14 7 1/16	60/-	37/-	15 c	47/6	47/3	3 3 6 1/10
98 1/2	80 1/2	Treas. 3 1/2% '77-80		83 1/2	83 1/2	2 18 10	4 12 11/16	70/9	43/1 1/2	7 b	54/3	56/9	4 8 1
99 1/2	80	Treas. 3 1/2% '79-81		84 1/2	84 1/2	2 18 3	4 12 11/16	52/9	33/6	25 c	43/9	43/9	4 11 5 1/10
88 1/2	68 1/2	Redemption 3% '86-96		73 1/2	73 1/2	2 17 2	4 9 3 1/16	123/1 1/2	71/3	12 b	110/-	107/6	3 5 1
95 1/2	78 1/2	Funding 3 1/2% 1999-2004		82 1/2	82 1/2	2 13 8	4 8 10 1/16	12/3 1/2	6/10 1/2	12 c	9/-	9/-	6 13 4
97 1/2	82 1/2	Consols 4% aft. Feb. '57		87	87	2 13 4	4 13 5 1/16	12/3 1/2	6/10 1/2	12 c	9/-	9/-	6 13 4
88 1/2	73 1/2	War L'n 3 1/2% aft. Dec. '52		76 1/2	76 1/2	2 12 4	4 11 0 1/16	12/3 1/2	6/10 1/2	12 c	9/-	9/-	6 13 4
89 1/2	72 1/2	Conv. 3 1/2% aft. April '61		77	77	2 12 6	4 11 7 1/16	12/3 1/2	6/10 1/2	12 c	9/-	9/-	6 13 4
78 1/2	63 1/2	Treas. 3% aft. April '66		66 1/2	67	2 11 8	4 10 2 1/16	47/6	33/10 1/2	7 b	36/-	34/6	3 19 6
66 1/2	54 1/2	Consols 2 1/2%		57 1/2	57 1/2	2 10 4	4 7 4 1/16	56/9	35/10 1/2	45 b	41/-	42/-	7 2 10
66 1/2	54	Treas. 2 1/2% aft. April '75		56 1/2	56 1/2	2 10 11	4 8 9 1/16	114/-	92/-	17 b	97/6	97/6	4 12 4
99 1/2	97 1/2	Br. Elec. 4 1/2% '67-69		98 1/2	99	2 14 2	4 13 3 1/16	76/-	58/6	30 b	66/-	67/-	3 10 11
94 1/2	75 1/2	Br. Elec. 3% '68-73		80 1/2	80 1/2	3 3 10	4 13 3 1/16	71/9	55/-	36 b	58/9	59/-	4 4 9 1/10
93 1/2	75	Br. Elec. 3% '74-77		79 1/2	79 1/2	3 1 9	4 11 8 1/16	139/-	68/6	14 b	111/3	110/7 1/2	2 14 2 1/2
109 1/2	90 1/2	Br. Elec. 4 1/2% '74-79		95 1/2	95 1/2	2 14 10	4 12 9 1/16	50/-	50/-	7 a	75/-	75/-	2 16 0 1/2
98 1/2	80 1/2	Br. Elec. 3 1/2% '76-79		83 1/2	83 1/2	2 19 3	4 12 8 1/16	164	150/9	6 a	162 1/2	162	2 8 8
105 1/2	88 1/2	Br. Gas 4% '69-72		92 1/2	92 1/2	2 17 11	4 14 7 1/16	158/9	109/9	5 a	140/-	141/3	3 13 8
102 1/2	82 1/2	Br. Gas 3 1/2% '69-71		87 1/2	87 1/2	3 1 4	4 14 4 1/16	44/6	26/9	5 a	163 1/2	163 1/2	4 11 10
88 1/2	71 1/2	Br. Gas 3% '90-95		74	73 1/2	2 16 9	4 8 5 1/16	44/6	26/9	5 a	163 1/2	163 1/2	4 11 10
94 1/2	76	Br. Trans. 3% '68-73		80 1/2	80 1/2	3 3 10	4 13 3 1/16	37/3	25/3	7 b	26/-	25/6	7 12 11
105 1/2	87 1/2	Br. Trans. 4% '72-77		90 1/2	90 1/2	2 17 1	4 13 0 1/16	61/-	45/-	12 c	49/6	49/6	5 13 2
88 1/2	70 1/2	Br. Trans. 3% '78-88		75 1/2	74 1/2	2 19 3	4 10 2 1/16	38/6	27/6	13 b	33/6	33/-	4 17 0 1/10

(c) To earliest date, (f) Flat yield, (h) To latest date. * Ex dividend.
† Assumed average life approx. 12 years. § Less tax at 8s. 6d. in £.

Prices, 1954 Jan. 1 to Nov. 30		Prices, 1955 Jan. 1 to Nov. 30		TRUSTEE STOCKS AND FOREIGN BONDS		Price, Nov. 23, 1955	Price, Nov. 30, 1955	Yield, Nov. 30, 1955 %
High	Low	High	Low					
97 1/2	90 1/2	94 1/2	79	Aust. 3 1/2% '65-69		82 1/2	82 1/2	5 6 6 1/2
101 1/2	97 1/2	101 1/2	87	Ceylon 4% '73-75		89 1/2	89 1/2	4 16 11 1/2
106 1/2	98 1/2	103 1/2	87 1/2	N. Zealand 4% '76-78		88 1/2	88 1/2	4 16 11 1/2
79 1/2	71 1/2	75 1/2	61	L.C.C. 3% aft. 1920		62 1/2	62 1/2	4 16 9
99 1/2	95	99 1/2	83	Liverpool 3% '54-64		85	85	5 2 7 1/2
87 1/2	80 1/2	84 1/2	65	M.W.R. '1933 '34-2003		68 1/2	69 1/2	4 12 3 1/2
104 1/2	100	102 1/2	94 1/2	Agric. Mort. 5% '59-89		100 1/2	100 1/2	4 19 7 1/2
109 1/2	71 1/2	122 1/2	91	German 7%		109	108	...
168 1/2	102	213	149	German 5 1/2%		182 1/2	181	...
171 1/2	132 1/2	211	160	Japan 5% 1907		208 1/2	208 1/2	...
198 1/2	167 1/2	254	190	Japan 5 1/2% Conv. 1930		247 1/2	249 1/2	...

Prices, 1955 Jan. 1 to Nov. 30		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Nov. 23, 1955	Price, Nov. 30, 1955	Yield, Nov. 30, 1955 %
High	Low	(a)	(b)	(c)				
58 7/8	45/9	7 b	6	5 a	BANKS & DISCOUNT			
76 7/8	56/-	15 c	6 a	6 a	Barclays £1		48/6	47/6
89 3/4	71/3	18 c	9 a	9 a	Lloyds 'A' £5, £1 pd.		57/6	56/6
87/-	66/3	18 c	9 a	9 a	Midland £1, fully pd.		73/-	72/6
96/10 1/2	74/3	8 b	8 a	8 a	N. Prov. 'B' £5, £1 pd.		71/6	70/6
69/8	44/-	8 1/2 b	3 a	3 a	Westminster 'B' £4, £1 pd.		76/6	75/-
59/6	45/-	7 b	5 a	5 a	Nat. Disc. 'B' £1		48/-	47/-
60/1 1/2	46/6	12 1/2 c	6 a	6 a	Union Disc. £1		48/-	47/-
40/1 1/2	31/6	4 a	4 b	4 b	Barc. (D.C.O.) £1		33/6	32/-
51/9	40/6	7 1/2 b	7 1/2 a	7 1/2 a	Chart. Bk. of India £1		42/6	42/6
21 1/2	14 1/2	40 c	12 1/2 a	12 1/2 a	Leg. & Gen. £1		17 1/2	17*
28	20 1/2	45 1/2 b	20 1/2 a	20 1/2 a	Pearl £1, fully pd.		22	22
55 1/2	41 1/2	112 1/2 c	117 1/2 a	117 1/2 a	Prudential 'A' £1		45 1/2	46
141/-	116/3	33 b	10 a	10 a	Breweries, Etc.			
34/9	22/-	10 a	10 1/2 b	10 1/2 b	Distillers 6/8		24/-	23/6
49/6	39/-	15 b	8 a	8 a	Guinness 10/-		43/9	45/-
93/9	68/-	14 b	7 a	7 a	Whitbread 'A' Ord. £1		70/-	70/-

* 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 16-1%. (h) On 16 1/2%. (i) On 10 1/4%. (j) On 15%. (k) On 12%. (l) To latest date. (m) On 10%. (n) On 8%. (o) On 9%. (p) On 22-1%. (q) On 37 1/2%. (r) On 6 1/2%. (s) On 13 1/2%. (t) On 19 1/2%. (u) On 7 1/2%. (v) On 14%. (w) On 12 1/2%.

New York Closing Prices

Nov. 23		Nov. 30		Nov. 23		Nov. 30	
\$	¢	\$	¢	\$	¢	\$	¢
48 1/2	47 1/2	48 1/2	48 1/2	112 1/2	109 1/2	112 1/2	109 1/2
31 1/2	33 1/2	31 1/2	33 1/2	50 1/2	50 1/2	19 1/2	21
44 1/2	45 1/2	44 1/2	45 1/2	19 1/2	20 1/2	117 1/2	111 1/2
25 1/2	26 1/2	25 1/2	26 1/2	98 1/2	98 1/2	60 1/2	60 1/2
180 1/2	181 1/2	180 1/2	181 1/2	52 1/2	53 1/2	147 1/2	148 1/2
24 1/2	24 1/2	24 1/2	24 1/2	50 1/2	48 1/2	57 1/2	58 1/2
6 1/2	6 1/2	6 1/2	6 1/2	64 1/2	64 1/2	57 1/2	58 1/2
22 1/2	22 1/2	22 1/2	22 1/2	79 1/2	79 1/2	48 1/2	49 1/2

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether- lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION⁽¹⁾ (1948 = 100)												
1938	118	82	78	90	193	132	76	101	89	81	67	64
1953	184	114	121	127	251	193	142	162	144	142	111	149
1954	210	124	129	139	282	236	145	176	158	151	115	...
1955, April	233	134	133	153	318	240	152	185	165	143	132	...
" May	232	134	134	157	332	255	...	199	165	151	128	...
" June	251	135	132	158	333	255	...	190	182	165	128	...
" July	...	120	88	148	315	255	...	209	168	110	67	...
" August	...	125	133	120	316	...	...	...	170	151	116	...

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas ⁽²⁾	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £
VALUE OF EXTERNAL TRADE⁽¹⁾												
IMPORTS (c.i.f.)												
1938	50	1,922	135	3-84	505	1-24	3-45	0-94	118	99	174	12-5
1953	1,106	10,094	573	121-52	1,334	592-64	15-28	124-75	738	543	680	124-3
1954	1,416	10,624	669	126-84	1,611	823-1	14-99	125-05	891	606	766	111-6
1955, April	1,799	11,134	678	149-44	2,020	887-2	16-98	137-53	961	605	892	130-7
" May	1,760	11,732	623	139-81	1,914	1,119-2	17-00	146-67	921	655	835	117-3
" June	1,841	11,074	653	146-94	1,947	1,189-5	15-19	146-26	1,029	683	810	142-4
" July	1,829	11,533	674	123-92	2,125	896-3	16-50	141-65	1,065	568	727	100-5
" August	1,827	...	615	133-68	...	913-0	14-22	...	936	581	808	100-4

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas ⁽²⁾	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £
EXPORTS (f.o.b.)												
1938	30	1,806	128	2-55	468	0-94	2-02	0-88	87	65	154	12-1
1953	1,099	9,414	508	117-24	1,542	282-14	9-50	77-50	672	303	638	92-4
1954	1,321	9,597	546	126-03	1,837	376-0	9-59	85-24	755	347	685	78-2
1955, April	1,400	11,084	520	153-89	2,013	237-2	8-63	93-56	766	376	662	51-6
" May	1,473	10,175	585	137-30	2,165	246-7	8-10	94-42	751	334	744	58-9
" June	1,521	11,977	632	139-96	2,013	206-5	7-51	95-17	865	368	774	64-5
" July	1,576	9,454	578	133-61	2,159	163-2	8-79	104-02	763	352	750	50-5
" August	1,453	10,324	557	127-41	...	179-0	7-91	...	889	370	776	55-5

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas ⁽²⁾	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £
BALANCE												
1938	- 20	- 116	- 7	- 1-29	- 37	- 0-34	- 1-43	- 0-06	- 31	- 34	- 20	- 0-4
1953	- 7	- 680	- 65	- 4-28	+ 208	- 310-54	- 5-78	- 47-25	- 66	- 240	- 42	- 31-9
1954	- 95	- 1,027	- 123	- 0-81	+ 226	- 447-1	- 5-40	- 39-81	- 136	- 259	- 81	- 33-4
1955, April	- 399	- 50	- 158	+ 4-45	- 7	- 650-0	- 8-35	- 43-97	- 195	- 229	- 230	- 79-1
" May	- 287	- 1,557	- 38	- 2-51	+ 251	- 872-5	- 8-90	- 52-25	- 170	- 321	- 91	- 58-4
" June	- 320	+ 902	- 21	- 6-98	+ 66	- 983-0	- 7-68	- 51-09	- 164	- 315	- 36	- 77-9
" July	- 253	- 2,079	- 96	+ 9-69	+ 34	- 733-1	- 7-71	- 37-63	- 302	- 216	+ 23	- 50-0
" August	- 374	...	- 58	- 6-27	...	- 734-0	- 6-31	...	- 47	- 211	- 32	- 44-9

	mn. schillings	mn. francs	mn. kroner	'000 mn. francs	mn. D. marks	mn. drachmas ⁽²⁾	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £
VOLUME OF EXTERNAL TRADE⁽¹⁾ (1948 = 100)												
IMPORTS												
1938	244	93	118	...	249	...	79	83	118	100	94	91
1953	207	116	169	119	271	...	111	175	156	141	118	217
1954	288	128	205	129	341	...	108	180	196	161	134	215
1955, April	373	128	...	161	412	...	116	193	207	161	...	236
" May	373	133	199	149	392	...	117	210	196	175	148	211
" June	395	126	...	151	390	...	104	207	220	172	...	264
" July	395	134	...	129	426	...	113	...	230	144	...	190
" August	402	...	...	142	402	...	97	...	...	159	...	...
EXPORTS												
1938	185	110	139	...	530	...	136	100	156	123	111	107
1953	270	145	208	209	783	...	183	150	292	144	145	182
1954	330	158	224	243	970	...	196	163	344	166	158	172
1955, April	335	167	...	300	1,061	...	167	174	350	171	...	88
" May	354	149	242	269	1,131	...	154	174	349	150	164	107
" June	365	174	...	266	1,048	...	143	185	402	169	...	115
" July	385	136	...	260	1,118	...	171	...	366	151	...	89
" August	350	...	...	251	1,044	...	153	...	...	165	...	...

(¹) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (²) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxembourg. Italy includes Trieste. (³) New drachmas introduced May 1, 1954 (1 new drachma=1,000 old drachmas). (⁴) Thousand million drachmas. (⁵) 1937.

Financial Statistics

EXCHEQUER RETURNS

For the week ended November 26th there was an "above-line" deficit (after allowing for Sinking Funds) of £2,739,000 compared with a deficit of £19,762,000 in the previous week and a surplus of £396,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £4,931,000, bringing the total cumulative deficit to £611,977,000 (£446,730,000 in 1954-55).

£'000	Esti- mate, 1955-56	April 1, 1954 to Nov. 27, 1954	April 1, 1955 to Nov. 26, 1955	Week ended Nov. 27, 1954	Week ended Nov. 26, 1955
Ord. Revenue					
Income Tax	1877,400	580,060	616,651	17,983	15,927
Sur-tax	135,000	40,900	37,900	1,100	1,200
Death Duties	185,000	120,500	117,900	2,500	3,400
Stamps	74,000	47,770	47,500	1,300	1,000
Profits Tax E.P.T.	180,000	118,200	136,900	3,300	2,800
Excess Profits Levy	25,000	56,700	14,800	1,000	200
Special Contribution and other Inland Revenue	1,000	780	300	...	...
Total Inland Rev.	2478,400	964,910	971,951	27,183	24,527
Customs	1131,700	745,451	767,307	22,680	20,679
Excise	811,050	522,300	575,780	16,530	19,630
Total Customs and Excise	1942,750	1268,751	1343,087	39,210	40,309
Motor Duties	80,000	19,659	22,843	...	220
FO (Net Receipts)	...	11,700	10,300	950	2,350
Broadcast Licences	25,000	12,600	11,800	2,500	...
Sundry Loans	24,000	20,281	23,316	...	...
Miscellaneous	175,000	109,675	104,399	25,400	27,119
Total	4725,150	2407,576	2487,698	95,243	94,525
Ord. Expenditure					
Debt Interest	600,000	366,618	413,763	3,419	5,891
Payments to N. Ire-land Exchequer	53,000	30,196	34,892	2,022	2,318
Other Cons. Fund.	10,000	5,311	6,243	...	...
Supply Services	3898,850	2200,772	2247,457	89,288	88,539
Total	4561,850	2602,897	2702,355	94,737	96,755
Sinking Funds	36,000	22,200	22,360	110	510
"Above-line" Surplus or Deficit	217,521	237,019	396	2,396	2,739
"Below-line" Net Expenditure	229,209	374,958	7,278	4,931	...
Total Surplus or Deficit	446,730	611,977	6,882	7,670	...
Net Receipts from:					
Tax Reserve Certificates	228,626	115,432	2,929	1,490	...
Savings Certificates	20,400	12,200	1,600	1,500	...
Defence Bonds	1,548	20,978	2,578	372	...

THE MONEY MARKET

CREDIT conditions in Lombard Street continued stringent through the past week, except at the week-end. Rates on overnight money have ranged up to 4 per cent, and on Tuesday up to 4½ per cent. The market had to seek aid from the Bank on each of the first three days of this week, but on Tuesday and Wednesday the amounts involved were trifling.

The discount market again held its bid unchanged at the Treasury bill tender on Friday last—at £99 5s. 9d. per cent for the 63-day bills and £98 19s. 6d. for the 91-day. Applications for the shorter bills rose by £11.5 million to £75.8 million, their highest yet; but the offer was up by £10 million, to £60 million, and the market's allotment rose from 75 to 78 per cent. The offer of 91-day bills was down by £10 million, and despite a small fall in applications, the market's allotment fell from 66 to 61 per cent. On all bills together, its allotment fell from 68 to 66 per cent. At yesterday's tender, the offer of the two months' bills was restored to £50 million and that of the three months' to £240 million.

In the London exchange market sterling has been steady through the week, at around \$2.80½. In the bullion market, demand for gold has been active, and the price at the fixing rose from 249s. 8½d. an ounce on Friday last to 249s. 9½d. on Wednesday. Silver has fallen sharply, in line with the New York price. Cash silver fell from 79½d. an ounce on Monday to 77½d. on Wednesday.

LONDON MONEY RATES

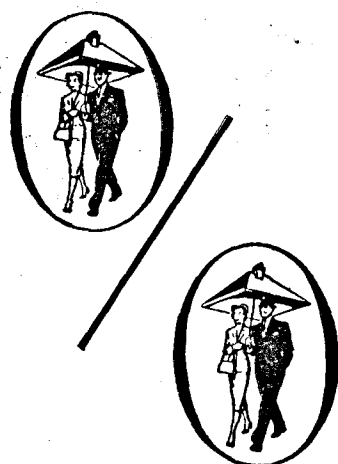
Bank rate (from 31st, 24/2/55)	%	Discount rates	%
Bank bills: 60 days	4½	Bank bills: 3 months	4½
Deposit rates (max)	4½	Bank bills: 6 months	4½
Banks	2½	Bank bills: 9 months	4½
Discount houses	2½	Bank bills: 12 months	4½
Money Day-to-day			
Short periods	2½-4½	Fine trade bills:	3 months 5-5½
Treas. bills 2 months	4½	4 months 5-5½	...
3 months	4½	6 months 5½-6	...

* Call money.

BANK OF ENGLAND RETURNS

	1954	1955
	Dec. 1	Nov. 23
Issue Department⁽¹⁾		
Notes in circulation	1,669-2	1,780-5
Notes in banking dept.	56-1	19-8
Govt. debt and securities ⁽²⁾	1,721-2	1,796-3
Other securities	0-7	0-8
Gold coin and bullion	0-4	0-4
Coin other than gold coin	3-0	3-0
Banking Department:		
Deposits:		
Public accounts	15-2	10-1
Treasury special account	9-6	3-0
Bankers	292-5	255-8
Others	64-9	71-2
Total	382-2	335-3
Securities:		
Government	323-7	294-8
Discounts and advances	3-4	19-2
Other	14-6	17-0
Total	341-7	331-0
Banking department reserve	58-5	22-2
"Proportion"	15-2	<

3



Income Tax paid by the Society.
Equivalent to £5.4.4 per cent to investors
subject to the standard rate of income tax.

SAFETY-FIRST INVESTMENT

★ Income Tax Paid

The interest rate of 3 per cent per annum on Share Accounts, income tax paid by the Society, represents a return on every £100 invested equivalent to £5.4.4 per cent to all investors subject to the standard rate of income tax. Ordinary Deposit Accounts earn 2½ per cent per annum, income tax paid, which is equivalent to £4.6.11 per cent where the standard rate of income tax is paid. Amounts up to £5,000 are accepted by the Society.

★ Interest Half-Yearly

Interest, which is paid half-yearly, commences from the day after the investment is received and continues to the date of withdrawal. Sums invested may be withdrawn at convenient notice.

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CVS-384

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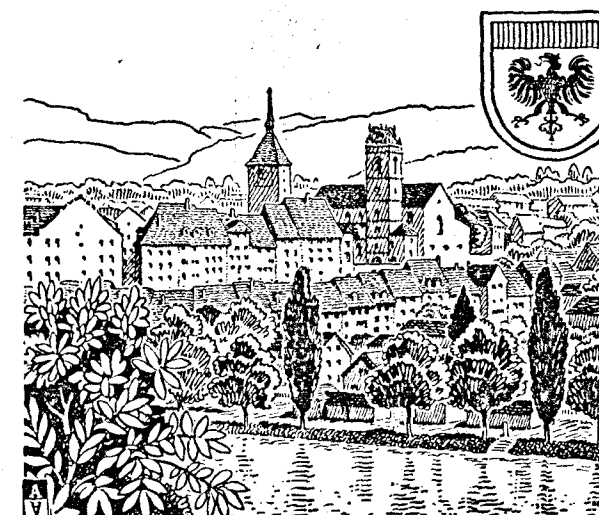
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In the year 1557 a group of 93 English Protestants arrived in Aarau and lived there until 1559.

But everybody
knows

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SCHWEIZERISCHE BANKGESELLSCHAFT

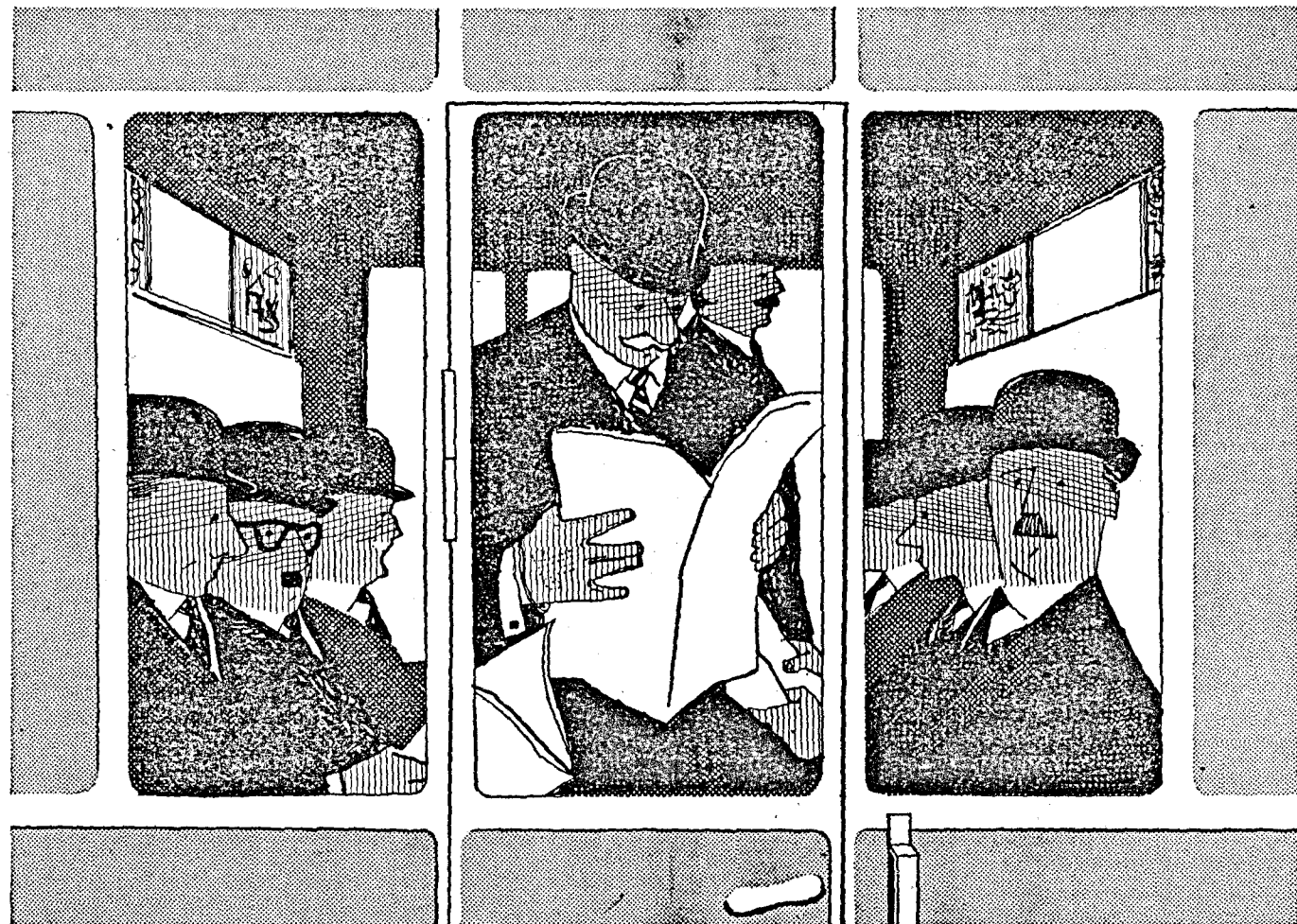
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Reserves Swiss Francs 72,000,000

Total Assets Swiss Francs 2,289,059,237

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The greatest method of regular saving in this country is through Life Assurance—both personal policies and pension schemes. In this way Life Assurance acts as an important anti-inflationary influence. It also provides much-needed capital for the equipment of British industry, on which depend our standard of living and our ability to compete abroad.

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COMPANY MEETINGS

THOS. W. WARD LIMITED

MR H. W. SECKER ON A YEAR OF

GREAT ACTIVITY

The Fifty-Second Ordinary General Meeting of Thos. W. Ward Limited was held on November 25th in Sheffield. Mr H. W. Secker, OBE (chairman of the company) presided, and in the course of his report (previously circulated) said:

Last year I said it would continue to be our policy to extend our interests by the further acquisition of subsidiary companies.

This has been implemented to the full during the present year in which we have expended over £1,100,000 in acquiring subsidiary companies, the details of which I will refer to at a later stage. As this is a record in any one year, it must strike the key-note of the year's operations.

I would like to preface my remarks with some personal references to certain of the directorate. Your President, Mr Ashley S. Ward, had the Degree of Doctor of Laws conferred upon him by the Sheffield University and we all congratulate him on this signal honour. On January 31, 1955, Mr Joseph Walton, the Joint Managing Director, retired from the Board. He had completed over 50 years' service with the company and played an important part in its progress, particularly in building up our Railway Sidings and Constructional Department to the premier position which it occupies today. I am pleased to inform you that he has agreed to remain as the Consultant on Railway Construction matters and is also retaining the Chairmanship of the Darlington Railway Plant & Foundry Company Limited. We wish him a long and very happy retirement.

It is with regret, however, that I refer to the death in August last of Mr H. Glover Faulk who was a Local Director and who at the date of his retirement on June 30th last had completed 53 years' service with the Company, the greater part in our London organisation.

EMPLOYEES

The frequency with which each financial year comes round is apt to make the reference to the work of our employees seem somewhat conventional, but I would like to make it clear in no uncertain terms how much we owe to all employees in the group, whether young or old in years of service, male or female, for the very excellent results that I am able to bring before you. As some measure of recognition we are increasing the usual bonus to workpeople and staff, but I would like to pay particular tribute to the good relations which have existed with our employees during the year and to the loyalty and enthusiasm with which they do their daily work. There is a widespread view that amongst certain sections of labour there is a need for a greater sense of responsibility and for the elimination of restrictive practices, but we must also recognise that there is a solid core of workpeople who are very hard working and efficient, and I do feel that within our Group we are fortunate in having a majority of workpeople of such a type. I would also like to express my appreciation of the support given to me by my colleagues on the boards of both the parent and sub-

sidary companies, together with all executive personnel throughout the group.

TRADING ASPECTS

So far as your parent company is concerned its activities have been closely linked with the increasing production and prosperity of the Steel Industry, which in turn has resulted in an almost unlimited demand for all classes of scrap. We have therefore had a very busy year endeavouring to cope with the demands made upon us by our many friends, so that the company's total deliveries of scrap iron and steel, excluding imports, are once again a record in its history.

Our production tonnage in shipbreaking shows a reduction as the higher freight rates which have been ruling have kept many of the older ships in service. There are still a large number of old ships afloat, however, and in a more competitive freight market these should ultimately reach the breakers' yards. We are experiencing certain benefits from the substantial expenditure on the installation of more efficient equipment over the past few years, and during the year under review we have completed the reconstruction of a reinforced concrete jetty at our ship-breaking yard on the Thames which will allow for the carrying of heavier cranes and so increase productive capacity. With a similar aim in view we are also undertaking extensive improvements at the deep water berth at our Inverkeithing Shipbreaking Yard to accommodate additional crane capacity and we hope to complete the extensions during the current year.

The demand for all classes of scrap continues unabated and home supplies are having to be implemented by the importation of substantial tonnages from abroad, much from hard currency countries. If we are to make our contribution to reducing the balance of payments position it is imperative to search out all scrap, particularly obsolete plant and machinery, and thereby increase home production scrap and correspondingly decrease imports. We and other members of the Scrap Industry are always anxious to assist in the recovery, collection, preparation and delivery of scrap to the Steel Industry.

In our various engineering activities, that is in the construction of railway sidings, constructional steelwork and erection, factory planning and installation, machinery, industrial plant and contractors' plant, all sections have had a successful year. In connection with Contractors' Plant we have recently completed at Templeborough the erection of a further workshop covering 27,000 square feet equipped with suitable cranes and machine tools for the maintaining and reconditioning of tractors, excavators, cranes, locomotives, concrete mixers and similar plant. These facilities are additional to those we have already established at Templeborough, also at Titan Works, Grays; Fore Street, Glasgow; and Briton Ferry, and enable us to maintain our hire fleet in first-class condition, and at the same time undertake similar reconditioning work on contractors' own plant.

It is somewhat difficult within the short space of this review to survey the whole realm of activities engaged in by the Parent

Company, for to give you some idea of the complexity I would mention that our accounts are organised to record the results over 20 main activities and are again sub-divided into approximately 200 depots and sections, but apart from one or two minor exceptions I can say that I am well satisfied with the results that have been achieved. From this I do not want you to gather the impression that we are complacent, as we are continually reviewing our organisation.

The parent company's turnover at £214 million shows an increase of some £800,000 compared with the previous year, whilst the profits before taxation, excluding dividends from subsidiaries, are up by over £200,000. Broadly speaking, the physical volume of turnover has been maintained slightly above last year, as the monetary values are to a certain extent inflated by increases in certain commodity prices which have taken place during the year, an illustration of this being the sharp rise in the price of non-ferrous metals in which the monetary value of turnover has increased by approximately £300,000, although the tonnage sold is similar to that in the preceding year.

In view of the multifarious activities in which we are engaged it is most difficult, indeed well-nigh impossible, to bring costs and profit margins to a common denominator, and whilst it may seem that my last year's forecast of a narrowing of profit margins during the year under review is somewhat contradicted by the increased profits shown, the experience in a number of directions has borne out the forecast. As you will appreciate, however, our business is of such a nature that occasional opportunities arise for extra profitable transactions, and such that have arisen during the year, together with certain windfall profits on stocks arising from price increases, have largely contributed to the increase in profit shown.

As we are large users of the railways, spending about £14 million in railway charges per annum, the unfortunate strike in June last had repercussions on our business. Every aspect of this has already been fully presented and commented upon in the press and elsewhere, but however much our personal views may differ on the merits of the opposing cases, we can all unite in expressing the hope that such a blow to the country in its struggle to meet severe foreign competition will not be repeated.

Before I pass on to a review of the activities of our subsidiary companies, I would just like to bring to your notice a fact of which you may possibly not be aware, namely, that we have a department which is actively engaged in a subject which is in the forefront of our minds at the present day, namely, atomic energy. For some seven or eight years our Factory Planning and Installation Department, in addition to its other work, has undertaken Government contracts for the installation of plant and equipment on atomic sites. During that period we have done an appreciable amount of work on the Atomic Energy site at Sellafield and at its peak we had about 800 men employed there. This work has now been virtually completed, but I am happy to say that we are busily engaged on a large contract for the installation of processing plant and pipework at the Atomic

Energy site at Capenhurst in Cheshire, and furthermore we have recently been awarded a contract for similar work on the new site at Dounreay in Caithness. On this type of work we have a specialised staff who have gained very valuable experience over the years, and we have every confidence that on installation work we can meet any demands that may be made upon us by the Atomic Energy Authorities.

SUBSIDIARY COMPANIES

As I commented at the beginning of this review, we have made a record investment in the acquisition of subsidiary companies during the year and the companies included in this outlay comprise, in addition to Fredk. Town & Sons Limited of Halifax, to which I referred in my remarks last year, the purchase of the entire share capital of the Wolverhampton Steel & Iron Company (1946) Limited and Birchley Rolling Mills Limited from the Iron & Steel Holding and Realisation Agency which we effected in November last year, together with the purchase of the entire share capital of Frank Parker & Company Limited, a company engaged in the supply of all manner of small tools to the building and civil engineering industries, having its registered office and warehouses in Curtain Road, London; whilst we also purchased the old-established business of George Hassall Limited, Stockholders, Machinery Merchants and General Engineers, situated in Stoke. Our subsidiary, the Eldon Hill Quarries Limited, acquired the entire share capital of Derbyshire Mineral Mines Limited who occupy the adjacent area of land, which will round off the site and facilitate the quarry working.

The Wolverhampton and Birchley companies were subsidiaries of this company prior to their nationalisation in 1951, when, as you will recollect, they were taken over at a figure of £782,500. In comparison with the cost then standing in our books a capital profit arose of over £500,000, which was then carried to and the major part of which still remains in Capital Reserve. We acquired both these companies at the same figure as the take-over price and in all the circumstances, particularly in the light of the results that have been shown since the reacquisition, we consider that they are fully worth the figure that we have paid, and consequently we have retained the capital profit as a separate item in our balance sheet.

Since June 30th we have effected a merger of the two companies to reduce administration costs and to obtain the benefits of a complete integration of production and sales. The Birchley Rolling Mills Limited has been liquidated and the name of the Wolverhampton company has been altered to Wolverhampton and Birchley Rolling Mills Limited. The combined tonnage rolling capacity approximates 100,000 tons per annum, equivalent to 2,000 tons per week.

The extension of our interests in subsidiary companies is, of course, resulting in the combined profits of the subsidiary companies outstripping those of the parent company, and in view of the scale of our group activities I feel that shareholders should have brought to their notice the size and operations of some of the more important of our subsidiary companies. To this end you will see in the supplementary information following this report that we are commencing a new feature, in which we propose to include two of our main subsidiaries each year, to give a short write-up and illustration of their history, what they are doing, and the particular fields in which they are engaged. This year we have chosen The Ketton Portland Cement Company Limited and Thos. Smith and Sons (Rodley) Limited, which are amongst two of our largest subsidiary companies.

In his recent review on the year's work-

ings your deputy Chairman, Mr F. R. Stagg, who is the Chairman of the Ketton company, made a vigorous plea for improvements to our road system, which I would commend to you as one requiring very urgent action. Throughout our group we have over 250 lorries, which are continuously using the roads, in addition to which we are large hirers of transport, and the delay that is incurred in the transport of goods is having a serious effect on the cost of carriage. In his review the Chairman drew attention to the fact that there is an increase in traffic on the roads of approximately 38 per cent more than prewar, and it is vital that the Government should take action to construct new trunk roads.

I am somewhat disturbed at the Chancellor's remarks at a recent conference that no further road-building will be undertaken beyond plans already in hand, which as we know are woefully inadequate to meet the situation. It is difficult to realise that this country, thanks to people like Macadam, was a century or so ago leading the world in road construction.

The cost of carriage and handling is an important element in determining the delivered costs of production, and money expended on improvements to cope with and speed up transportation would be directly related to the reduction of costs which is so essential.

A rather unique ceremony was held at the works of Thos. Smith and Sons (Rodley) Limited at Rodley, near Leeds, on August 31st last, before a representative gathering, including the Parliamentary Secretary to the Board of Trade, the Commercial Secretary to the Canadian Department of Trade and Commerce, and the Lord Mayor of Leeds, to mark the dispatch of the 100th Universal Excavator to Canada and the 100th to New Zealand. The company is the first in Britain to sell so many machines of 100 per cent British design and manufacture to the important dollar market of Canada. In only five years these machines and their spare parts have earned more than 1,500,000 Canadian dollars for Britain, fighting stiff opposition from the USA and European countries.

The group turnover of £36½ million is some £6 million higher than the preceding year; of this turnover £15 million relates to subsidiary companies, compared with just over £10 million in the previous year, an increase of about £5 million, of which approximately £3½ million has been contributed by new subsidiaries acquired during the year.

Similarly the increase in group profits, before tax, of almost £540,000, includes £190,000 contributed by the new subsidiaries, whose results, however, do not cover a full period of 12 months and given a similar rate of profits to that earned to June 30th, it is estimated that the combined profit, before tax, for a full 12 months of such new subsidiaries, will be in the region of £300,000.

With one or two minor exceptions, the other subsidiary companies have increased on their profits in the preceding year, and their combined increase totals nearly £150,000, before tax. The remaining £200,000 of increase is contributed by the parent company, as referred to previously.

If the country's manufacturing interests are to prosper in the present-day competitive markets, greater and not less capital investment is needed. There must be more plant and machinery, together with an increase in the amount of available mechanical power, whilst more efficient use must be made of our existing plant. Your Board have this continually in mind and in addition to the capital projects to which I have referred in the parent company, we have schemes for relatively large outlay on a number of our subsidiaries, including Dick's Asbestos and

Insulating Company Limited, where we are erecting a new factory and installing new plant at an estimated cost of over £100,000, at Fredk. Town and Sons Limited, where we are extending the workshops and installing new plant again at a cost of over £100,000, whilst we have certain other projects under consideration.

You will thus realise why it is so necessary to leave such a relatively large proportion of profits to be ploughed back into our subsidiary companies accounts.

In this connection I would also explain that in the interests of the group taxation, we have deemed it advisable not to take any dividends from certain of the new subsidiaries acquired part way through the financial year under review.

Since the end of the financial year we have completed negotiations whereby we have acquired a 75 per cent interest in the business of Alexander Metal Company Limited, manufacturers of non-ferrous ingots, whose offices and works are situated at Bilston, near Wolverhampton. As this type of business is complementary to the parent company's activities in the merchandising of non-ferrous metals, we feel that it carries definite potentialities.

OVERSEAS TRADE

Last year I dwelt on the difficulties facing our Overseas companies and unfortunately the position has not shown any material change. Our French company has kept up its turnover but profit margins remain very small and similar remarks apply to our Scandinavian and Belgian companies. The Australian company has shown some small progress, but the import cuts recently announced by Australia amounting to £65 million in a full year are bound to have repercussions on Australian trade. However, I do know that our management and staff in each of the foreign subsidiaries are putting forth every effort to overcome the difficulties to which they are subject, and I can only hope that conditions will show some improvement.

TAXATION

Because of the growth in our group profits this year, we have had to set aside an amount of over £1,200,000 for taxation on the profits arising during the year, which is almost £200,000 higher than in the previous year. We industrialists are not ungrateful to the Chancellor for the small remissions of taxation which he was able to give in his last Budget, but there is no denying that the incidence of taxation is still far too high, particularly in relation to that borne by foreign competitor countries, and whilst it is realised that the inflationary trend at the present time may preclude the giving of any further immediate remissions of taxation, we do hope that so soon as the position is restored, the Chancellor will give further aid to industry.

The relief obtained throughout the group from Investment Allowances in terms of reduction of the assessable profits is in the region of £58,000, which is equivalent in terms of net tax to approximately £27,500, and this amount has been taken credit for in arriving at the total charge for taxation referred to above.

We have been carrying a relatively substantial provision for several years now against the possibility of taxation liabilities arising on the surplus realised on the vesting of our wagons in the British Transport Commission in 1947. Following the recent decision given by the House of Lords in the "Hudson" case when it was held that a "balancing charge" does not arise, we have been able to release such provision and bring it back to the credit of Profit and Loss Account. This mainly accounts for the increase in the

credit shown for Surplus Taxation charge in previous years, compared with the preceding year.

BALANCE SHEET

So far as the parent company's Balance Sheet is concerned, the main movements compared with last year are increases in (a) Fixed Assets of £91,000, (b) Shares in Subsidiary Companies £1,117,000, and (c) Excess of Debtors over Creditors £227,000. Against this Stocks have decreased by some £96,000 whilst Government Securities and Cash on Short Term Loan have decreased by £795,000, so that the net increase in Net Worth is in the region of £544,000.

You will notice that we have transferred the previous Provision for Contingencies of £400,000 to augment the General Reserve. In my remarks last year I said that although the contingencies against which this amount of £400,000 was raised had in the main been determined, there were still some outstanding points to finalise. We have effected a satisfactory settlement on such matters, and we are now able to release this amount.

Coming now to the group Balance Sheet, the main movements show an increase in Fixed Assets of £318,000, in Premiums on Acquisition of Shares £746,000, Stocks £575,000, and in the Excess of Debtors over Creditors, including outside interests of shareholders, £518,000. Against this there are decreases in Trade Investments of £48,000 and in Government Securities, Tax Reserve Certificates and Cash on Short Term Loan, etc., £709,000. The increase in Net Worth shown by the Balance Sheet is thus £1,800,000, but having regard to the fact that £400,000 of this is an internal transfer from Provision for Contingencies to General Reserve, the actual figure approximates to £1,400,000. In connection with the Premiums on the Acquisition of Shares we take the view that it tends to give a more realistic appraisal of the consolidated assets by including these separately at the gross figure instead of setting off Capital Reserves and showing only the lower net figure. Because of the inflationary trend in recent years, the Balance Sheet values of Group Assets are already considerably understated in terms of present day monetary values and we therefore consider that this method contributes in some small way as a corrective. Reference to the tabular summary of Group Assets as given in the supplementary information following this review shows the Net Assets of the group at June 30, 1955, to be £9,408,000, which figure includes the Reserve for Future Income Tax due January 1, 1957, of £1,005,000. On such basis, after deducting the Preferential Capital, the Net Assets attaching to the Ordinary Share Capital of £2,200,000 are equivalent to approximately 75s per share on balance sheet values.

APPROPRIATION OF PROFITS

The Balance of Profit available on the year is £747,838, which with Balance brought forward of £459,563, gives a total of £1,207,401. Dividends already paid total £89,306.

Your Board recommends the payment of a final Dividend on the Ordinary Shares of 11½ per cent, less tax, making a total of 15 per cent, less tax. It is proposed to transfer £400,000 to General Reserve, making that reserve £1,400,000 and to carry forward £567,169 as against £459,563 brought in.

The recommendations of your Board are submitted after due consideration of the interests of shareholders, the financial requirements of the group and the recent request by the Chancellor for restraint in dividend policy. In view of the decrease in the purchasing value of the £1, it is only equitable that some reasonable increase in dividend should be recommended, particularly as wages have increased at a

faster rate than dividends. In determining the amount of such increase, however, it must be realised that the expansion that has taken place in your group has been financed entirely from internal resources as no outside capital has been obtained since 1934. In the year just ended, in addition to the outlay of £1,100,000 in extensions of the group's interests, we have also financed capital expenditure in the group approximating £600,000, a total outlay of £1,700,000. We cannot therefore recommend sharp increases in dividend and also continue to finance further expansion from our own resources. Finally, in reaching our decision to recommend an increase in dividend of 2½ per cent less tax over last year, we have acted in what we believe to be the common good of the shareholders, the business, and the national interest, at the present time.

FUTURE PROSPECTS

Up to the present both the tonnage of the parent company and the volume of business handled by subsidiaries has been well maintained in comparison with the corresponding period last year. The difficulty in forecasting, however, is that there is so much more of the future than the present and also that I am as yet uncertain at the time of making this review, as to the remedial measures which the Chancellor will propose, on the reassembly of Parliament, to deal with the balance of payments position and to achieve a balance, between current consumption, defence, capital construction and the restoration of monetary reserves, on the one hand, and production on the other hand. Providing that the measures he takes do not result in a too drastic contraction of credit and capital expenditure, then I consider the prospects for your group in the current year to be very good.

The report and accounts were adopted and the dividends recommended declared. The retiring directors were re-elected and the auditors re-appointed.

STOTHERT & PITT LIMITED

The seventy-second annual general meeting of Stothert & Pitt Limited was held on November 23rd in Bath. Sir Llewellyn T. G. Soulsby, JP (the chairman) presided, and in the course of his speech, said:

The trading profit for the year is satisfactory and output has again increased. All departments were fully employed during the year and have contributed to this excellent result. Perhaps at this stage I should emphasise that in addition to cranes of many types we also have a very large business in Contractors' Plant, Pumps, Ships' Deck Machinery, Multi-Bucket Excavators, etc.

Although our turnover has increased I must tell you that we are experiencing increasing competition in export markets. Nevertheless the figures we are considering reveal continued progress and added strength though the profit margin both at home and abroad tends to decrease.

Our overseas effort is world-wide and we have made a very substantial contribution to the National economy.

Future prospects remain much the same as outlined in my statement a year ago. Our works are undermanned and this is limiting output and keeping up costs.

We have recommended a final payment of 12½ per cent making the total distribution for the year 17½ per cent.

The report was adopted and the Board's capitalisation and scrip issue proposal of 7 new shares of £1 each for every 13 Ordinary Shares held were sanctioned.

FAIREY AVIATION COMPANY, LIMITED

RECORD PROFIT

The twenty-seventh annual general meeting of this company was held on November 24th in London.

Sir Richard Fairey, MBE, Hon FRAeS, chairman and managing director, in the course of his speech, said: The consolidated group trading profit, for the year ended March 31, 1955, before providing for taxation, amounted to £2,159,568, as compared with last year's profit of £1,249,216. This is, of course, a gross profit of which taxation will take over 62 per cent; it is a group profit contributed to by our overseas companies and by our other subsidiaries such as Air Survey Company, and, as always, includes a considerable carry-in from previous years. This is our record profit and we have no apologies to offer on that account, least of all to the political theorists who declaim against all profits as such. On the contrary I here and now declare our intention of using our utmost efforts to continue to make profits.

This year is our fortieth anniversary, I having first incorporated the business as a limited company in July, 1915. It has been built up on profits not unassisted by a combination of initiative and sound engineering design and development, efficient manufacturing and conservative finance.

Our original capital was £22,750 of which only £15,000 was ever paid up in cash. Our first factory consisting of five wooden sheds on the site where the Hayes plant now stands cost us £807 6s. 8d., and our first offices, a brick building which still stands, cost £1,013 18s. 5d. Money went much further in those days. Our profit for the year was £7,114 11s.—not a bad start. So you see we had very modest beginnings but by the same financial and managerial policy that we practise today we had by 1929 reached the stage when it could be floated as a public company with a capital of £500,000. Today we are a group comprising not only this Parent Company with its four main establishments in this country but also our important overseas subsidiaries, in Canada, Belgium and Australia and other interests. Our combined net assets without any writing up are £4,957,296.

FORTY YEARS' ACHIEVEMENTS

During the past forty years we have designed and built 109 different marks of aircraft, of which 48 were distinct types ranging from small single-seaters to four-engined flying boats. Many of our aircraft such as the famous "Swordfish" have rendered yeoman service to the country and others have produced large sums from export trade; yet others have broken world records for performance. I think that we can claim that the remarkable Fairey "Fox" of 1925 altered the whole trend of design of military aircraft. We have pioneered not only aircraft but such things as variable pitch propellers, stressed skin structures, and the first free coupled twin engine.

We are still pioneering today in guided weapons, hydraulic control apparatus, precision casting and the specialised application of plastics and other new production methods—among which our patent envelope jiggling system is a marked success. Today we are developing the largest helicopter and the smallest helicopter and what we believe to be the fastest aeroplane in the country.

The report was adopted; the proposed dividend of 3s. per share, less tax, was approved and the proposed capitalisation of reserves was sanctioned.

THE COMMERCIAL BANK OF SCOTLAND LIMITED

GOVERNMENT'S DETERMINATION WELCOMED

BENEFITS OF NEW ACQUISITION

HIGH TRADITION OF SERVICE FULLY MAINTAINED

LORD ROTHERWICK SURVEYS THE YEAR'S RESULTS

The Annual General Meeting of Shareholders of the Bank will be held in the North British Station Hotel, Edinburgh, on Friday, December 23, 1955, at 12 noon.

The following is the Statement by the Governor, Lord Rotherwick of Tynney, which has been circulated to Shareholders with the Report and Accounts for the year ended October 29, 1955:

It is appropriate that I should first refer to certain changes which are being made this year in the presentation of the Accounts to Shareholders and in the submission of my Annual Statement as Governor of the Bank.

This is the first occasion on which we are required, in accordance with the Companies Act, to publish Group Accounts incorporating the results of our recently acquired subsidiary companies. As you will observe, we have taken the opportunity to change the form and style of the Annual Report, and we have also decided to adopt the now common practice of circulating with the Accounts my Statement to Shareholders, which previously was submitted at the Annual Meeting. We are sure you will agree that this new method of presentation is helpful by giving you within the confines of one booklet the outcome of the year's operations and my comments thereon.

It was with deep regret that we learned of the death in June last of my predecessor as Governor, the Right Honourable The Earl of Mar and Kellie, and I would again refer to his fine record of public service and his particular service to the Bank, extending over the long period of 65 years.

NATION'S ECONOMIC HEALTH

When I addressed you in December of last year I ventured the remark that the economic barometer had remained at "set fair" throughout 1954 and that there was no real evidence then of an inflationary gap emerging. Unfortunately these comfortable conditions did not continue throughout 1955 and each month has seen a growing uncertainty as to the state of our economic health and its future course. I need not elaborate on the symptoms which are disturbing—imports outpacing exports; wages and salaries rising faster than production; excessive demands for materials and labour; dock and rail strikes. These are all unhealthy symptoms and have been so diagnosed by those whose business it is to buy and sell sterling on the world's exchanges. Fortunately, we can still say that basically our economic health remains good and should continue so, provided the right things are done in looking after it. It is encouraging to know that we have a Government determined to seek—by trial and error if necessary—the proper remedies and correctives. As we already know, the Authorities first tried purely monetary remedies—higher interest rates and some instalment credit restrictions. After several months' experience these were thought to be inadequate and were supplemented by a "squeeze" on bank advances. Again after

the experience of several months, further remedies were considered necessary and were introduced in the Chancellor's second Budget Statement. As a result we now have a series of restraints and restrictions all along the line from interest rates to capital investment. No single measure is drastic, but it is hoped that these collective influences will be sufficient to restore the balance of health. If the principle of restraint is accepted by all sections of the community these expectations should prove to be well founded.

BANK'S STRONG LIQUID POSITION

I would like to say a word or two about the influence of some of these measures on the affairs of the Bank. The higher interest rates broadly cancelled out as between our deposits and advances, the extra interest paid on deposits being largely offset by the increased earnings on advances. Against that, we found that deposits tended to leave us, to seek more profitable investment elsewhere—particularly in Treasury Bills. We also witnessed a heavy fall in the market value of our Gilt-edged investments. Thanks to our strong liquid position we have not, so far, found it necessary to sell any of these investments since the market turned against us.

The second phase of restraints involving the Chancellor's request for "a positive and significant reduction in bank advances," meant that we were asked, in effect, to agree voluntarily to a course of action contrary to the interests of our shareholders and customers, on the grounds that it was thought by the Authorities to be in the national interest. We supported the official policy, but as a result we have had to put pressure on many of our customers, whose credit standing is undoubted but who happened to be borrowers at that time and were not fortunate in being associated with a privileged class of business such as national defence or exports. Such action is contrary to sound banking practice.

PROGRESS OF SUBSIDIARIES

You will, I feel sure, wish to know of our experience as the proprietors of The Scottish Midland Guarantee Trust companies which handle hire-purchase finance. A year ago I expressed confidence in the new investment which we had made. All that has happened since then justifies that confidence. Our subsidiaries have steadily progressed under the able guidance of their Managing Director, Mr John McQueston, who has been associated with these companies for many years. The field of their operations is mainly confined to vehicles and industrial plant and does not cover the finance of household goods. We have found that this association with Industrial Bankers has enabled us to enter into a number of composite financial transactions with our customers which might otherwise have been unsuitable. We feel therefore that through this acquisition we are able to offer a wider and more

comprehensive banking service to industry and commerce. It is also right that I should tell you that the increased profit earned during the past year is mainly attributable to the successful efforts of these companies.

BANKING GROUP AFFAIRS

I would now like to refer to the affairs of our banking group as shown in the Annual Accounts.

The pattern of our operations shows a reverse trend from that of the previous year. The main items on both sides of the Balance Sheet have contracted—Deposits, Liquid Resources, Investments and Bank Advances are all somewhat lower on the year. Only in the Note Circulation do we see an expansion.

You will see from the Bank's Balance Sheet that Deposits at fully £121 million are down by some £8½ million. As I have already stated, this fall is mainly due to a withdrawal of funds by some of our larger depositors who are offered a higher yield elsewhere, particularly in Treasury Bills. In spite of this we have maintained our liquidity, and the first group of Assets covering cash, short money and Treasury Bills, represents 40 per cent of our liabilities for Deposits and Notes—the same ratio as last year. Our Government Investments are down by almost £5 million, part of the realisation having been utilised for the acquisition and financing of our subsidiary companies. You will observe from the notes on the Accounts that the market value of the Government Securities is rather less than £47 million, as compared with a book value of over £50 million. I may say that "market value" is a somewhat fictional term as we could not unload our volume of investments on the market and find cash purchasers at the official prices. On the other hand these investments are all redeemable at par at fixed dates and we expect that in the absence of abnormal circumstances we shall have the opportunity of retaining them until market prices approach the par values.

Advances at £36 million are lower by £1½ million. At one time during the past year Advances reached a figure of £41 million so the restrictive policy which we have had to adopt is beginning to show results.

CONSOLIDATED ACCOUNTS

In the Consolidated Balance Sheet you will note that the amount due to our subsidiary companies under hire purchase contracts, after deducting unearned interest, is £7 million. These are spread over some 26,000 accounts and emanated from 21 branches, of which six are in Scotland and 15 in England and Wales. We hope to grow steadily from this solid nucleus of established branches.

The Consolidated Profit and Loss Account shows an increase in net earnings of £58,451, which, as I have already stated, is mainly attributable to our subsidiaries. In the early part of the year the growing volume of bank

advances enabled us to use our resources more profitably, but this trend was reversed in later months. We again experienced a year of rising costs, and in association with other Banks we granted in April, 1955, a considerable increase in salaries to members of the staff. Certain sections of the press seem determined to convey the impression that the clerical staffs employed in Banks are underpaid compared with other occupations. The truth is that Bank staffs are more highly paid than any other comparable group in the whole field of clerical employment. Moreover, as far as we are concerned, there is an annual pension on retiral which after 40 years of service amounts to two-thirds of the final salary, and we do not ask the staff to contribute anything towards this or other retiral benefits. We think it right that Bank staffs should be so remunerated, but we do not like to see false impressions created by a distortion or suppression of the facts.

APPROPRIATION OF PROFITS

Out of the Profits of the Year the Directors have appropriated £100,000 to Contingency Account and £100,000 to the Pension Fund. During the year the Trustees of the Widows' Fund increased the annual pension from £150 to £200, and at the same time increased the contributions from certain classes of members. The Directors think it right that the Bank should also give a further measure of support to this most valuable fund and have appropriated a sum of £10,000 for this purpose.

You will recollect that during the year we capitalised part of the Reserve Fund and increased the amount paid on each "A" Share from 6s. to 10s. Immediately prior to this change we paid a dividend of 17 per cent on the "A" Shares of 6s. paid. That dividend was equivalent to 10.2 per cent on "A" Shares of 10s. paid. The Directors now propose that there should be a further modest increase in the dividend to "A" Shareholders and recommend that the final dividend be 6 per cent (making 11 per cent for the year). The final dividend on the "B" Shares is at the rate of 5 per cent (making 10 per cent for the year).

Once again it gives me pleasure to express on behalf of the Shareholders our sincere thanks to the officials and staff of the Bank, at Head Office and Branches, for their loyal and conscientious support throughout the year, in which the Bank's high tradition of service to the public has been fully maintained; and I think that it is only appropriate that the officials and staff of our subsidiaries should be included in this appreciation.

THE DIRECTORATE

It is proposed that I be re-elected Governor; that Lord Saltoun be re-elected Deputy Governor, and that the Extraordinary Directors, whose names appear on the List, be re-elected.

It is also proposed that Mr Howard Usher Cunningham, the Ordinary Director who is due to retire at this time, be re-elected an Ordinary Director of the Bank.

Mr Robert Yaxley Weir and Mr Douglas Ainslie Foulis, who were 70 years of age this year, retire under the provisions of the Companies Act 1948. Special Notice of the intention to propose their re-election has been received by the Bank, and a Resolution to that effect will be put to you.

Mr Maurice Crichton, CA, Glasgow, and Mr Ronald J. Henderson, CA, Edinburgh, will, under the provisions of the Companies Act 1948, continue in office, and a Resolution will be proposed fixing their remuneration.

THE NATIONAL BANK OF AUSTRALASIA

(Inc. in Victoria)

RECURRENT ECONOMIC PROBLEMS

FUNDAMENTAL READJUSTMENTS NEEDED

The ordinary general meeting of The National Bank of Australasia, Limited (with which is united The Queensland National Bank, Limited) was held on November 30th, at Melbourne.

Mr H. D. Giddy (the chairman), in the course of his address, said:

Balance Sheet totals of £283,523,924 are £12,298,765 higher than last year, due mainly to an increase of £3,363,012 in the Paid-Up Capital and a rise of £6,137,731 in the Deposits and Other Liabilities item.

The increase of £972,029 in gross earnings was largely offset by a rise of £877,786 in working expenses. Net profit increased by £147,961 to £889,355, reflecting to some extent the intake of fresh capital in March last.

BANKING LEGISLATION.

During the year, public reference has been made to the approach by the Trading Banks to the Commonwealth Government with respect to the existing banking legislation. The proposals put forward are vitally important and, we believe, should be accepted if our banking structure is to be adjusted to conform with the present-day needs of our economy.

Bank liquidity has declined during the past year, the Australian liquid assets of the main trading banks last month being £64 million below the £586 million held in October, 1954. Our liquid assets were slightly higher last month compared with October, 1954, but, of course, we have been assisted by additions to our capital structure.

Such declines in liquidity, associated with a turn for the worse in our overseas balance of payments, present a banking problem of major importance. To what extent should the system absorb the shock? From 1945 onwards, official policy was to reject outright any deflationary procedure—this was stated categorically in the 1945 Commonwealth Government paper on Full Employment. In 1951/52 and again in 1954/55 the banking system attempted to act as a cushion for the community. However, on the latter occasion the view was officially expressed that the system should not cushion such adverse movements. Clarification is needed on this vital matter of high policy, otherwise the banks will continue to attract undeserved criticism.

MEASURES TO COMBAT ECONOMIC EMERGENCIES

After referring to the recurrent balance of payment difficulties, and inflationary pressures within Australia, and reviewing in detail the deep-seated influences which were tending to throw the economy out of balance, the chairman continued: As emergency devices to hold our external currency reserves and to ease internal inflationary pressures, import restrictions, pleas for restraint in spending, and a stringent bank-lending policy may be unavoidable. But to remove the basic causes of such emergencies will require, I think, measures that can be permanent and which touch fundamentals within the Australian economy.

In some quarters, the fashion is to attri-

bute our balance of payment problems and our inflationary tendencies to the existence of what is termed "excess demand" which, it is said, from time to time "spills over" into imports. Some who adopt this superficial explanation also offer a superficial cure. Heavier taxation, they say—and the figure of an additional £100 million per annum has been bandied about—would "skim off" this "excess demand" and bring us back into balance.

Faith in such a proposal is merely wishful thinking; wishful thinking which is very close to the socialistic line. Heavier taxation would mean a contraction in the capacity of private enterprise to operate—taking this phrase in its broadest meaning—and an expansion in the capacity for government activity. But our experience over the past decade has shown in convincing manner that it is not expansion in the capacity of governments to act that is needed but the reverse. Of course, in the modern world considerable government action is unavoidable, but let us remember that in our country it is already excessive.

It would be foolish to enlarge this capacity at a time when, above all, the urgent need is for fundamental readjustments within the economy and in the nation's attitude toward our economic difficulties.

In the long run I believe that the incomes of the community must be related to the real value of the effort made. In our case this value must be in line with the true comparative efficiency of our overseas trading associates and competitors, otherwise we shall not attain our objectives. Failing definite improvement in the true worth of our productive efforts, the real value of incomes may be reduced by further inflation.

There is overwhelming evidence that we have arrived at a position where economic realities have caught up with us and where artificial measures will prove useless. In truth, a somewhat greater effort on all fronts within the Australian economy for less in the way of immediate reward is the only way out.

DOMESTIC MATTERS

A satisfactory increase in the Bank's business over the past year has been recorded, deposits and advances each having risen by a little over £6 million. The new issue of shares was successfully completed during the year and Paid-Up Capital is now £10,089,037.

CONTINUED GROWTH OF BANK

The growth of population and business has continued to enlarge the demand for banking services. During the past year 19 new branches and 33 receiving offices were opened, bringing our points of representation on September 30th to 778 in Australia and three in London. An important recent establishment was the opening of a branch at Darwin on October 17th under the management of Mr L. R. Quodling, formerly a Branch Inspector in Queensland.

To meet the steady expansion of our business, some 55 new branch buildings have been erected over the past eight years and a large number of other premises have been purchased.

The report and accounts were adopted.

THE STANDARD MOTOR COMPANY LIMITED

(Manufacturers of Standard and Triumph Cars, Ferguson Tractors and Standard Commercial Vehicles and Diesel Engines)

RECORD PROFIT AND OUTPUT

LORD TEDDER ON EXPANSION PLANS

The fifty-second annual general meeting of The Standard Motor Company Limited, was held on November 30th at Coventry, Lord Tedder, GCB, chairman of the company, presiding.

The following are extracts from the chairman's statement, which was circulated with the report and accounts:

It gives me considerable satisfaction to present to you the Company's Accounts for the year ended August 31, 1955, particularly as these constitute a record both in Profit and in Output.

The Group Profit for the year before Taxation has risen from £2,273,563 in the previous year to £3,439,664. After deducting £20,620 retained in the Profit and Loss Accounts of the Subsidiary Companies, and after providing for Taxation, the balance to be added to the Company's Revenue Reserves is £1,934,044.

Careful consideration has been given by the Board in recommending that the dividend on the Ordinary Capital should be maintained at 12 per cent, being the same rate as for the last four years. The need to conserve the Company's liquid resources to meet competition, to buy the expensive capital equipment essential to modern production methods, and to help the country's fight against inflation has been well in mind in arriving at this decision.

FORECAST SURPASSED

During the year we produced and sold 98,647 cars and 70,909 tractors; a total of 169,556 units and an increase of more than 35,000 units over last year. This compares with the forecast I made twelve months ago in connection with our Preference Share Issue, when I gave a figure of some 161,500 units as being the achievable production for our Financial Year under review.

Of the vehicles sold by ourselves and the tractors sold by the Massey-Harris-Ferguson Organisation, some 90,000 units have been exported. These, together with appropriate Spare Parts, have earned more than £33 million of foreign currency for Great Britain.

NEW MODELS AND EQUIPMENT

I now turn to the Company's activities generally. The new Vanguard III Saloon, incorporating entirely new body features and having the well-proved Vanguard engine, was enthusiastically received at the Earls Court Motor Show last month. It is indeed a worthy successor to a range of Vanguard Cars of which we have made and sold throughout the world more than a quarter of a million. The body contract for this new car has been placed with the Pressed Steel Company of Cowley.

We also exhibited for the first time at that Show our new TR3—a successful development of the Triumph Sports Car, the TR2, which has achieved so many successes in major international sporting events.

Our range of 8 hp and 10 hp Cars, which now incorporates additional equipment, continues in great demand, and the whole of our Home Market Output planned for our present year to August 31, 1956, has been contracted for by our Distributors and Dealers. We have now produced and sold

more than 120,000 of these cars since production started in June, 1953, and present output is running at 325 per day, out of a total of 435 cars per day.

There is no doubt that, both at home and overseas, our products are giving sustained and reliable service. Our motor cars are setting up extraordinary performances. I quote particularly our Vanguard III petrol consumption of over 30 miles per gallon at an average speed of 40 miles per hour normal driving; our TR2 petrol consumption of 35 miles per gallon at over 70 miles per hour, and to the numerous reports we have received of our cars running more than 100,000 miles without major overhaul and with a negligible demand for replacement parts.

TURBO JET ENGINES

Rolls-Royce Avon Turbo Jet Engine Production within our organisation, under contract to the Ministry of Supply, came to a satisfactory conclusion during the year, and the capacity made available has now been changed over for our own domestic expansion. Following the delivery of the last Avon Engine on time, we received a letter of congratulation from the Director, Engine Production, Ministry of Supply, which reads:

"Your performance is worthy of the highest commendation; your Company entered the production of aero gas turbines without any previous knowledge and proved very quickly that your productive capabilities were comparable with any recognised aero engine manufacturer."

"Unfortunately, the Defence Programme limited the extent to which your capacity could be used, but the work carried out has demonstrated that British gas turbines can be produced, when necessary, by able automobile firms and that such engines have been and would be to the standard required."

"Please convey to all your staff my sincere appreciation of their efforts and their success on the Rolls-Royce Avon engine production."

DIESEL ENGINES

We are continuing to develop Diesel Engine Production, for installation in our vehicles and in Ferguson tractors.

We have completed arrangements with Auto Diesels Limited for the marketing by them of our complete range of engines, which they will adapt for stationary work, including pumping, generating, etc., thereby widening the range of our products. We anticipate that, with the marketing and research experience of Auto Diesels, a considerable contribution will be made to the economies of our overall production.

EXPANSION OVERSEAS

Our Overseas Interests continue to expand. As you know, we already have well-established associated companies in Australia, France, India and South Africa, and an operating Subsidiary Company in New Zealand. In addition to these, we have Marketing Companies in the USA and Canada.

In Australia, where we now have capacity for 100 vehicles a day, 50 per cent of the body is already Australian; axle production will start at the end of the year; engine

assembly is well under way, and a large proportion of the engine will shortly be manufactured there.

In France we are engaged in developing the production of the Ferguson tractor. Seventy-five per cent of the tractor is now made in France, and by April next year it will be 100 per cent. Our output is now almost 80 tractors per day, which will rise to 100 per day, or 25,000 per annum, by next spring. We are now the largest manufacturers of agricultural tractors in France, and all this has been achieved in two years.

We have so far installed some 300 machine tools in our Indian Factory, and engines are already being produced at the rate of 80 per month. We are just starting to manufacture the gearbox and rear axle.

In New Zealand and South Africa we have established complete assembly organisations, and we are ready to develop these important markets as circumstances dictate.

During the year we expanded into Eire by acquiring all the Share Capital of the Assembly and Distribution Company, McEntagart Bros. Limited, which has been handling our products there for some 25 years.

In addition to this, we have completed long-term plans in South America by the formation of a wholly-owned Subsidiary Company in Brazil.

VALUABLE ASSETS ABROAD

Our developments in these Overseas Markets are now starting to show profitable returns and there is no doubt that this policy has created valuable overseas assets for us and for Great Britain. In addition to the expansion of these companies with the natural growth of the countries, we have also achieved that flexibility so important in counteracting the adverse economic conditions which must arise from time to time. In particular, I refer to the import restrictions imposed by the Australian and New Zealand Governments, and our policy in these countries will now be to step up the rate of progress of local production there.

Our association with the Massey-Harris-Ferguson Organisation continues to be very close and most cordial and, in the course of the next few weeks, we shall have manufactured and sold to them half a million tractors since we started production nine years ago. In our opinion, only increasing benefits can accrue to us through our connection with their world selling organisation. As an example, I am now able to tell you that Massey-Harris-Ferguson have completed a considerable contract with the Yugoslavian Government, in the face of intense competition, for the supply of Ferguson tractors to that country.

CAPITAL COMMITMENTS

During the year under review we spent some 4½ million pounds on new Plant, Equipment, Dies and other capital assets and, as you will see from the Accounts, our Group has, in addition, outstanding capital commitments of four million pounds. These figures are indications of the developments which are taking place within our Organisation, and only emphasise the need for conserving

profits. Indeed, while it might appear that our profit is comparatively large this year, nevertheless it is only out of the profits which we earn on selling our products that we can develop and expand.

As part of this Capital Expansion Scheme plans have been formulated for the complete revision of the Company's Factory Layouts, to achieve more economical production, to increase our overall capacity and to introduce new projects. Such large-scale reorganisations cannot be effected without some temporary dislocation of production and it is inevitable that, in addition to the considerable revenue expense involved, a certain loss of potential output is, for a time, unavoidable.

NEW AUTOMATIC PLANT

An essential development in all large production factories is the installation of specialised plant. We ourselves are in the process of installing a certain amount of new automatic plant of this description. This form of progress has been labelled "Automation." We well appreciate that some people may, at first sight, view it with some apprehension, but we should remember that the only new thing about "Automation" is the word itself. Since the inception of mechanical methods man, in his first reaction, has tended to regard this form of development as a danger to his employment. In actual practice, however, industry has developed, production has increased, wages have risen and the standard of living in this country is now higher than ever before. Improved production methods represent only one stage in a process of natural evolution and will have the same effect as they have always had of invigorating industry, creating a larger and wider demand for our products throughout the world and thereby increasing our British standards of life.

The report and accounts were adopted.

LEETHEMS (TWILFIT) LIMITED

The twenty-seventh annual general meeting of Leethems (Twilfit) Limited was held on November 24th at Portsmouth, Mr C. H. Reynolds, MA, AMICE, JP (Chairman and Joint Managing Director), presiding.

The following is an extract from his circulated review:

The Company has succeeded in maintaining and, in fact, slightly increasing its total personnel; in consequence it has been possible again to increase our production as compared with last year. Every effort is being made to expand production still further both by improvements in machinery and the recruitment of more employees.

During the year a freehold site was acquired at Fareham for the erection of an additional factory; this will enable us to attract additional employees from a new area and ensure the maintenance of our steadily increasing production.

Total sales during the year were higher than last year and, although our Export figures were lower such decline was not serious.

Last year I reported increased minimum wages for the industry, and this year the Company has voluntarily made further wage increases. Yet another advance on minimum wage rates has just been agreed for the industry and it will be necessary, therefore, to increase some of our selling prices; we cannot continue to bear these additional costs out of our reducing margins even though we have succeeded in increasing our output.

The report was adopted and the final dividend of 7 per cent, making 10 per cent for the year, was approved.

REGIS PROPERTY COMPANY LIMITED

LARGER REVENUE

The seventeenth annual general meeting of the Regis Property Company Limited, was held on December 1st in London. The Right Honourable Lord Kennet of the Dene, PC, GBE, DSO, chairman, presiding.

The following is an extract from his circulated statement for the year to June 30, 1955:

Our Excess-of Rents over Outgoings, and other Profits, have risen from £408,020 last year to £465,915 this year. This increase is due to three causes: (a) Increased revenue from our Liverpool property; (b) Permitted increases of rent for repairs and services under the Housing Repairs and Rents Act, 1954, of which so far we have had only six months' benefit; (c) Increased rents consequent on renewals or relettings of space in our other office buildings hitherto let on a prewar basis.

Of this increase of £57,895, £35,784 is absorbed in additional mortgage interest on our Liverpool property. A few minor adjustments on other items leaves us with a net profit after tax of £93,622 as against £81,234 last year—a gain of £12,388.

We have yet to receive the benefit of lettings in the new section of the Liverpool building, which is now almost completed. In addition, we shall have in the coming year a full year's increases charged to tenants for repairs and services. Finally, there is still to come additional revenue from revisions of prewar office rentals on lapsed leases to the present rental basis.

Against these increases in revenue there will be a further charge for additional mortgage finance to repay the Bank advance secured to complete Section 4 of the Liverpool building and increased interest charges on certain mortgages due for renewal. There are also increased costs of maintenance and heating to be faced, but all these increased charges should be more than covered by prospective additional revenue.

HEAVY TAXATION

The Board are concerned, as I have previously told you, at the heavy impact of taxation upon companies such as ours. We have to pay 53 per cent of our Net Profits in Tax. The withdrawal of £107,730 from our profit of £201,352 in this way is a very heavy drain on our resources and gives us little scope to increase reserves. The carry forward will be £51,639, practically the same figure as last year, but we shall have strengthened our internal resources by retaining £24,286 Profits in our Subsidiaries this year as against £15,191 last year.

The market values of our properties are considerably higher than their Book Value and form a valuable undisclosed reserve. Moreover, as I told you last year, your Board has plans under review which should in due course still further improve the Company's position both from a Capital and a Revenue point of view, and they feel therefore that the small increase in Dividend of 1 per cent is fully justified.

During the year under review the Landlord and Tenant Act, and the Housing Repairs and Rents Act relating to repairs and services, came into force. The provisions made to assist landlords to meet the rise in these costs of repairs and services proved to be in some instances only transient unfortunately, for a great deal of the benefit in some items was immediately offset by further increased costs notably of heating which the landlords are unable to recover.

The report and accounts were adopted.

SERCK RADIATORS, LIMITED

INCREASED TURNOVER

The thirty-sixth annual general meeting of Serck Radiators, Limited, was held on November 25th at Birmingham, Mr W. H. Newton, MA, FCA, chairman, presiding.

The following is an extract from his circulated statement:

During the year ended July 30, 1955, the Company achieved a considerable increase in turnover, but the final profit before deducting taxation is £634,786, as compared with £693,406 in the previous year. We have been faced with continuing wage and other unexpected and unavoidable increases in costs over which we have no control, but which we have to a large extent absorbed rather than pass on to our customers, and while every effort to achieve economy is being made, it has not proved possible to offset the continuous and heavy increases which have fallen upon us. We have also encountered very keen competition at home and abroad, resulting in smaller profit margins.

Main Works.—During the current year the process of renewal and improvement will continue, and the total capital expenditure should be much as in the past.

Service Branches.—The Service Branches have again produced a satisfactory increase in profit.

Serck (Eire) Limited.—Additional premises have been acquired and plant installed for the manufacture of radiator blocks. Profits have been maintained.

Serck Radiators (South Africa) (Pty.) Limited.—Following Mr Harper's visit, successful steps have been taken to meet competition which was developing and profits continue to be satisfactory.

PROFIT AND DIVIDEND

While the trading profit shows a small decrease, it will be observed that the net profit after tax shows an increase, by reason of the repeal of the Excess Profits Levy and reduction in the standard rate of Income Tax. The Balance Sheet discloses a strong position.

Your Directors recommend a final dividend of 6d. per 5s. unit less tax, which, together with the interim dividend of 3d., makes a total dividend of 15 per cent.

AUDLEY ENGINEERING COMPANY LIMITED

Since the close of the financial year, your Directors have completed negotiations with the Directors of Audley Engineering Company Limited, Newport, Shropshire, for the acquisition of the whole of the 240,000 £1 Ordinary Shares. The Audley Company has for many years been very successful in the manufacture of valves for a wide variety of industries, in many of which we also are interested, and has an expanding business both at home and abroad. I have no doubt whatever that the association of the two concerns will enable both to develop more rapidly than would have been the case.

While we are now feeling the effect of increasing competition, particularly abroad, there seems no reason whatever why the business should not continue to progress. We manufacture a wide range of products used by many different industries, and we feel that we are well equipped to meet any change in demand for new designs within our range or for entirely new types of products. The Order Book remains satisfactory and we hope to achieve an increase in our turnover during the year.

The report and accounts were adopted.

HARMONY GOLD MINING COMPANY LIMITED

MR P. H. ANDERSON ON THE CONTINUED PROGRESS

At the Fifth Annual Meeting of shareholders held in Johannesburg on November 14, 1955, Mr P. H. Anderson, the Chairman, in the course of his remarks said:

Good progress has continued to be made at the property and your mine is now equipped to operate on the basis of a nominal milling capacity of 90,000 tons per month—the second 45,000-ton unit of the gold plant having been commissioned during the last month of the financial year under review. The monthly rate of milling is steadily being built up and reached 73,000 tons in October. The 80,000-ton uranium plant which was commissioned in April this year is being operated to full capacity by treating accumulated slimes from the dam in addition to current tailings from the gold plant.

FAVOURABLE MINING CONDITIONS

An initial available ore reserve at June 30, 1955, was declared at 931,000 tons with a value of 8.0 dwt over a stope width of 57.9 inches, equivalent to 463 inch-dwt. The favourable mining conditions encountered to date at the Harmony mine have permitted the use of widely spaced reef drives and raises and the adoption of a longwall system of stoping and the development of replacement reserves for the immediate future will be derived very largely from stoping operations. It is intended gradually to step up the rate of reef development as soon as possible after production has caught up with the present milling capacity, in order to ensure the provision of adequate stope faces to meet the requirements of any expansion planned for the future.

Now that the first stage in the opening up and exploitation of the Harmony mine is virtually complete, it has been decided to proceed with the sinking of the second main hoisting shaft, No. 2 Shaft, some 5,500 feet north-north-west of No. 3 Shaft. The Shaft has been excavated to a depth of 66 feet and the foundations for the permanent headgear and permanent winding equipment are under construction. Sinking with this permanent equipment is expected to commence in about eight months' time and the 26-foot diameter circular shaft, which is to be sunk to a depth of about 6,000 feet, should be ready for hoisting in from two to three years, depending on sinking conditions. The mine will then have a hoisting capacity of about 200,000 tons per month. Meanwhile, twin footwall haulages are being driven northwards from No. 3 Shaft and are expected to reach the site of No. 2 Shaft before the middle of 1956. This will considerably extend the base from which mining operations can be carried out, and the short boreholes being drilled at 65-foot intervals from the haulages up to the Basal Reef will give a useful indication of the values between the two shafts, pending the undertaking of actual reef development in this area.

Since my last address the reef body has, broadly speaking, continued to show no disturbance from faults and dykes of any practical significance; comparatively little water has been encountered and the quantity pumped to surface is still less than 300,000 gallons per 24 hours; negligible quantities of methane gas have been detected, and in view of the provision of adequate ventilation facilities the Government Mining Engineer has relaxed considerably the fiery mine regulations. There are, however, one or two points to which I would like to draw your attention.

Shortly after stoping operations got under

way it became apparent that the hanging wall, as in most of the rest of the Free State Gold-field, lacked the cohesion of that on the Rand in that these quartzites are laminated with distinct bedding planes. Due to this lack of cohesion, shearing of the hanging wall at the stope faces is inclined to occur despite close mat pack and waste support. Although the problem of controlling the hanging wall under these conditions is not regarded as serious, the generally weak nature of the hanging and the relatively wide stoping widths will entail the use of fairly costly methods of support. Fortunately, the position is not at present complicated by the presence of khaki shale.

DEVELOPMENT RESULTS

Development results during the past year have shown that in the Ventilation Shaft area values have tended to fall off a little, both in regard to percentage payability and inch-dwt. This was due in small part to the occurrence of a few isolated erosion channels, of which I made mention last year, but in the main to a general downward fluctuation; latterly, however, there has been some improvement to the north. In No. 3 Shaft area the promise held out by the high values intersected in the shaft reef and ore passes was fulfilled, and values in this area were very much better than had been anticipated on the indications given by the reef intersections in H.2 borehole and in the shaft. This deterioration in the one area and improvement in the other were to some extent compensatory, and the major factor contributing to the falling off in the overall development results during the past year was an abnormality in reef deposition encountered in the area between the Ventilation Shaft and No. 3 Shaft. It seems likely that the Basal Reef was originally deposited under shallow-water conditions, and that in this area there was a sandbank or group of sandbanks which precluded the deposition of the bottom portion of the reef; consequently, less gold was deposited, the reef is narrower and the footwall contact appears to be raised up towards the hanging—hence the adoption of the descriptive nomenclature for this localised occurrence "elevated footwall." This elevated footwall condition persisted on and off between 6 and 13 Levels in the east-west winze-raise connection between the two shafts, and in order to establish its extent on the strike of the reef, 10 Level drive is being advanced north and south. Stoping operations in this area commenced in May of this year, and two longwall stope faces of 1,000 feet each are being advanced north and south off the winze-raise connection in this elevated footwall area.

In the area between Nos. 3 and 2 Shafts the reef is being initially prospected, as I have already mentioned, by means of boreholes drilled at close intervals from the twin haulages which are being advanced northwards from No. 3 Shaft. The first four boreholes drilled averaged 599 inch-dwt, and conformed fairly closely with the general run of values around No. 3 Shaft, but thereafter results have been erratic in that in three holes the Basal Reef has not been fully developed—possibly due to local erosion channels or elevated footwall conditions; minor faulting with loss of reef occurred in another, and in two others there was loss of core due to grinding. Of the 21 boreholes drilled so far, the inclusive overall average has been 12.4 dwt over a channel width of 28 inches, equal to 347 inch-dwt. It is confidently expected, however, that this bore-

hole programme will yield improved results as the haulages advance towards No. 2 Shaft, which is located in an area where four boreholes drilled from surface averaged 1,350 inch-dwt.

FINANCE

In so far as the Company's finances are concerned, the funds required for the present capital programme, which is mainly in connection with the sinking of No. 2 Shaft, have been provided from profits and from temporary loan facilities of up to £1 million, which expire on December 31, 1955. I am pleased to be able to report that your Board accepted on Friday last, November 11th, an offer by The Central Mining & Investment Corporation Limited and Rand Mines Limited to subscribe jointly for 450,000 reserve shares at 28s. 9d. per share (being the closing market price on the previous day), thereby extinguishing the existing temporary loan arrangements made available by them. These two companies have also undertaken to grant new temporary loan facilities of up to £250,000 at 6 per cent repayable by December 31, 1956. While no definite decision has been taken in regard to the timing of any expansion in the rate of milling, it is hoped that any increase over the present capacity of 90,000 tons per month can be financed out of profits.

CHAIRMAN'S REPLIES TO QUESTIONS

A shareholder drew attention to the fact that uranium profits are published "subject to adjustment." He asked how these adjustments came about and whether they affected the grade, the quantity or the price of uranium. The Chairman pointed out that he was precluded owing to the provisions of secrecy imposed by the Atomic Energy Act from answering this question in detail. He did, however, point out that the reason for making the qualification "subject to adjustment" was that payments for uranium are based on a sliding scale formula depending on various factors which are not exactly determinable at the time the provisional payments are made and which necessitate periodical adjustments; as these adjustments were not likely to be very material it was considered preferable to make early announcements of the profits "subject to adjustment."

In reply to another question, the Chairman stated that it was intended to crosscut to the Basal Reef from the 17 level twin haulages before these reached No. 2 Shaft and to do some reef development in this area between the two shafts in the near future.

In reply to a further question, the Chairman stated that the pyrite flotation plant which was being erected at the Company's mine property was primarily for the purpose of ensuring that pyrite would be available for use in the uranium industry and that it was expected that only a nominal profit would be obtained from the operation of the plant as such.

The two special resolutions, dispensing with the necessity for the Company to comply with the provisions of Sub-section 9 of Section 70 quin of the Companies Act, as amended, and amending the Company's Articles of Association in certain respects to enable it to issue Bearer Share Warrants should it desire to do so at any time were passed unanimously.

The Report and Accounts were adopted.

BLYVOORUITZTCH GOLD MINING COMPANY, LIMITED

MR W. M. FRAMES' SPEECH

At the Eighteenth Annual Meeting of shareholders held in Johannesburg on November 15, 1955, Mr W. M. Frames, the Chairman, in the course of his remarks, said:

While there was an improvement in the supply of non-European labour the shortage of European personnel continued and although, by making the best use of the available labour force, it was possible to show a marked increase in the footage developed, the tonnage milled was only slightly higher.

During the first four months of the current financial year the seasonal decline in the non-European labour strength has been more marked than it was in the same period last year.

The power position has improved to an extent that has permitted the mine to revert to the 6 day milling week as from September.

The payable ore developed at 1,262,700 tons was greater by 386,700 tons than that for the previous year but the average value was lower by 0.6 dwt. per ton.

The development footage advanced on reef showed a noticeable increase during the year and the average value of payable disclosures improved appreciably compared with the previous year. This was due mainly to there having been more reef development in the eastern portion of the mine than had been accomplished in the previous financial year. Exploratory development in the western portion of the mine is continuing but the values disclosed continue to be lower than the average for the mine.

THE YEAR'S RESULTS

The benefits derived from the increased tonnage milled were more than offset by a slightly lower average yield and these factors, combined with higher working costs, caused the working profit from gold mining to fall by nearly £64,000 to £5,564,400 for the year under review. On the other hand, the working profit from uranium extraction—subject to adjustment—rose by £351,000 to £1,104,800. The total working profit of £6,669,300 therefore compares favourably with that for the previous year, being approximately £287,000 greater.

The presence of underground water fissures continued to be a serious factor in mining operations, particularly in A1 and A3 Sub-Incline Shafts where sinking progress was also retarded by the work involved in cutting and equipping of pump and engine chambers. A little over 7½ million gallons of water a day were pumped to the surface during the year under review, an increase of 820,000 gallons per day compared with the previous year. Pumping capacity was increased and, allowing for maintenance work on the equipment, the present facilities are capable of pumping approximately 15 million gallons of water a day.

Satisfactory progress has been made in advancing the twin haulages on 6 Level from No. 1 Shaft towards the position of the Sub-Vertical Shaft. Preparatory work in connection with the sinking of this shaft may commence early in 1956.

URANIUM

The uranium plant operated satisfactorily and at full capacity throughout the year. A further sum of £48,240 was expended during the year, bringing the total to £3,924,149, inclusive of interest on the loans, and it is

estimated that a further £141,500 remains to be spent on this project. At June 30th the amount outstanding, together with accrued interest, on uranium loan account was £3,587,559, which is being repaid at the rate of £124,691 per quarter until the end of the year 1963.

In my address to shareholders last year I mentioned the possibility of a plant being erected on the company's property for the production of sulphuric acid for use in the uranium industry. It was then estimated that the capital cost of this project would be about £430,000. That estimate was based on the assumption that the company would erect a sulphur-burning plant which would have relied entirely on imported raw material. On further consideration of the matter our technical advisers recommended the erection of a pyrite-burning plant which can use locally produced raw material and whose operating

cost will be lower than that of a sulphur-burning plant. The capital cost of the revised project is now estimated at about £750,000. Arrangements have recently been concluded with the Atomic Energy Board in terms of which the company will erect a pyrite-burning plant for the production of sulphuric acid, and the capital cost of the project will be provided by means of loan facilities being arranged through the same authority. It is considered that satisfactory profits will accrue to the company from the operation of this plant after providing for the amortisation of the capital cost and interest.

The special resolution dispensing with the necessity for the Company to comply with the provisions of sub-section (9) of Section 70 quin of the Companies Act, as amended, was passed unanimously.

The Report and Accounts were adopted.

THE ROVER COMPANY LIMITED

HIGHER OUTPUT—LOWER PROFIT MARGINS

The sixtieth annual general meeting of The Rover Company Limited will be held on December 21st in Birmingham.

The following is an extract from the circulated statement of the Chairman, Mr H. Howe Graham, FCA:

The progress which the Company has made in recent years has again been well maintained.

Last year I referred to plans for expanding our production capacity and proposals to increase our capital for this purpose. The new capital has since been raised and the expansion programme is well in hand.

Our output has risen steadily in the post-war years, and our sales of vehicles during the year under review showed an increase of more than one-third in both number and value as compared with the year to July 31, 1954.

The year under review was one of rising costs both of materials and wages, and despite the considerable increase in output we had to work to lower profit margins. Costs are still continuing to rise and although, as in the past, we have absorbed increases as far as possible against economies achieved as a result of the greater volume and more efficient methods of manufacture, nevertheless, in common with other manufacturers we have recently had to adjust our selling prices.

Whilst the final result for the year is eminently satisfactory, it must be borne in mind that the capital has been considerably increased during the year and having regard to this increase in capital the results are rather less favourable than one would normally expect; also due to rising costs of production the actual profit per unit produced is in fact less than it was in the previous financial year.

Every effort is being made and will continue to be made to expand our home and export markets.

The Surplus on Trading and Management Fees, together with Interest on Investments and Bank Interest amount to £2,407,530, and this represents an increase of £352,075 on last year's figure. The provision for Taxation this year is £1,074,911 as compared with £1,165,164 last year on a smaller profit. The Profit after Taxation has increased from £553,617 last year to £938,458. Your Directors are recommending a Dividend of 2½ per cent, less tax.

SMITH'S STAMPING WORKS (COVENTRY) LIMITED

INCREASED PROFIT

The sixtieth annual general meeting of Smith's Stamping Works (Coventry) Limited was held on November 28th at Birmingham, Mr S. Bramhall, MBE (chairman and managing director), presiding.

The following is an extract from the chairman's circulated statement for the period August 1, 1954, to July 30, 1955:

I have to report a profit for the year of £214,279 compared with £117,111 after providing £105,749 for depreciation of fixed assets against £98,228 last year.

We recommend a dividend of 15 per cent less Tax.

In my report to you last year I referred to the large capital expenditure undertaken over recent years in furtherance of our policy of maintaining our plant and equipment in the highest state of efficiency. I said then that much of our new plant was installed and many of our new projects were nearing completion and that we might expect to see an improvement in trading results in consequence. This forecast is confirmed by the figures now submitted to you.

While we have been handicapped by shortage of labour and raw materials, our up to date equipment has enabled us to increase our production with much the same labour force. Nevertheless we have not been able to meet the full demands of our customers.

While the cost of wages, materials and services continue to increase we have been able to offset to an extent the rising costs by better efficiency as the result of our capital expenditure, but some increase in selling prices has been inevitable. The supply of steel is a matter of concern to our industry. Notwithstanding the global increase in the productivity of the steel industry, there has been an insufficient increase in forging quality steels.

I am pleased to say that our order books are in a most healthy state; we have large contracts from motor car and heavy vehicle manufacturers, for general engineering and the aircraft industry. In this connection I have to refer to further capital expenditure necessary to meet the demands upon us for still larger forgings in special steels and new alloys. This additional equipment will absorb a further £250,000 and when the plant is finally installed, will emphasise our premier position as manufacturers of the highest grade drop forgings.

The report and accounts were adopted.

GOODE DURRANT AND MURRAY (CONSOLIDATED) LIMITED

COMPETITIVE TRADING CONDITIONS

MR L. A. KEMP ON OVERSEAS INTERESTS

The fifty-seventh annual general meeting of Goode Durrant and Murray (Consolidated) Limited will be held on December 16th at 197, Great Portland Street, London, W.1.

The following is the statement by the chairman, Mr Lewis A. Kemp, which has been circulated with the report and accounts:

It is with pleasure that I place before you your Company's results for the year ended July 20, 1955. You will see that the Net Consolidated Trading Profit of the Group is £95,983 and, after paying a 10 per cent Dividend on the Ordinary Shares, the total balance carried forward in the Consolidated Balance Sheet is £241,054.

As you have been informed, the Company has now changed its name to Goode Durrant and Murray (Consolidated) Limited, and has sold its trading business to two Subsidiary Companies, one of which will carry on trading in Australia in the name of Goode Durrant and Murray (Australia) Limited, and the other in London in the name of Goode Durrant and Murray Limited. The Company thus continues as a Holding Company, its main Assets being Freehold and Leasehold Properties in London and Australia and Shares in Subsidiary Companies. These changes took place after the close of the year to which these Accounts refer.

During the year we have formed a Subsidiary Company in New Zealand, for the purpose of fostering and maintaining business with that territory.

I am glad to report that the debt due from Brazil is almost cleared, and the small balance still to come should be received before our next Accounts are published.

The new building which is in the course of erection in Chiswell Street for the Offices of the Group has not progressed as rapidly as we should like, owing to the call on manpower and materials, but we expect to enter into occupation next May or June.

THE YEAR'S TRADING

Trade during the year under review has been beset with many difficulties, and in some directions we have found it hard to maintain turnover. Dock strikes have caused delay and, as generally happens, it was not possible to regain turnover lost. More recently we have experienced the "credit squeeze," which, although not affecting the Company's business directly, has considerable influence upon it by reason of the rise in the Bank Rate, equivalent to 1½ per cent, since our last Meeting. To some extent we were able to pass on this increased cost to our customers, but unfortunately we have now to bear a considerable part ourselves.

Import restrictions abroad were eased to some extent, but in other directions fresh and tighter restrictions have been imposed.

CHAIRMAN'S VISIT TO AUSTRALIA

I would like to add to the above general remarks some particular comments upon Australia, in which territory the Company is so vitally interested.

Since I last addressed you, I have revisited the Commonwealth after an interval of 25 years. I noticed great progress and development in building and industrial expansion.

Whilst Australia is still enjoying prosperous conditions and full employment, the rapid expansion of Hire Purchase facilities is having a retarding effect on Clothing and Drapery Sales, as weekly instalments on Electrical and other Household Appliances are claiming a larger proportion of wages and salaries.

Competition in the wholesale distribution of all classes of the Apparel and Drapery trade is increasing, and profit margins are becoming difficult to maintain, in face of rising wages and overall costs.

Our Branches in South and Western Australia report favourable conditions as a result of good seasonal rains throughout the agricultural and farming districts, and the season's Wool Clip is expected to be one of the heaviest on record.

May I now direct your attention to the

MODDERFONTEIN EAST LIMITED

MR N. W. S. LEWIN'S SPEECH

At the Thirty-ninth Annual Meeting of shareholders held in Johannesburg on November 14, 1955, Mr N. W. S. Lewin, the Chairman, in the course of his remarks, said:

Mining operations have, generally speaking, been carried out latterly according to a programme of gradual withdrawal from the south-eastern portion of the mine. In operations of this nature it is not easy to control the grade, and it so happens that the areas where mining has recently taken place have been generally of lower grade and more scattered payability than the average. The yield showed a decline of 0.073 dwt per ton. The tonnage milled, augmented by some 59,000 tons of ore from several low-grade development rock dumps, was higher than in the previous year. Working costs decreased by 9d. a ton and there was an increase of some £14,000 in the working profit. It was possible to maintain the dividend distribution at 3s. per share, absorbing £139,621.

DEVELOPMENT OPERATIONS

Development footage, 55 per cent of which was accomplished in the Klipfontein Corridor lease area, increased by 1,336 ft to a total of 8,234 ft. The percentage payability was fractionally lower than that for the previous year, but the value of the payable footage was slightly higher. Primary development was again confined almost entirely to the Klipfontein Corridor, where the results obtained continued to be generally disappointing, such payable ore as was revealed being only marginal. Shareholders are aware that the Corridor is not expected to contain a large tonnage of payable ore, but driving is continuing at points where there is still some promise.

At last year's meeting I mentioned the possibility of low-grade ore from development rock dumps being treated at a profit. Since then an appreciable quantity of this rock has been sent to the mill as make-up tonnage, with satisfactory results. During the first four months of the current financial year the average tonnage milled has been greater than in the same period of last year, but working profits have fallen by £20,414 owing

Balance Sheet, from which you will see that the amount of Trade Debtors and Bills Receivable shows a considerable reduction. This is entirely due to the method of finance and is reflected in the reduction in the liabilities under Acceptance Credits.

THE CURRENT YEAR

If I may venture to express my views as to the current year, I would say that so far as the Company's business is concerned, we are continuing to strive against severe competition and low margins of profit. Efforts are being made with a view to combating these difficulties, as some of our more profitable markets are temporarily closed to us. The world may be taking on a more peaceful outlook, but the nations competing for trade are progressively becoming more keen.

In conclusion, may I pay a warm tribute to our staff in the United Kingdom and overseas for their loyal and combined efforts, without which the Company could not have produced the result which your Directors have been able to place before you.

to the lower grade of underground rock treated.

The special resolution dispensing with the necessity for the Company to comply with the provisions of sub-section (9) of Section 70 of the Companies Act, as amended, was passed unanimously.

The Report and Accounts were adopted.

FABRIQUE NATIONALE D'ARMES DE GUERRE, S.A.

(Manufacturers of Armaments, Jet
Engines and Motor Vehicles)

Herstal-lez-Liège, Belgium

The annual general meeting of the Fabrique Nationale d'Armes de Guerre was held on October 27, 1955, and the following is a summary of the report presented by the Board:

Developments during the year ended June 30th last showed the continuance of the favourable trend which was first noticeable in 1950. Turnover figures, although slightly lower than in the previous year, remained high, and profits kept in step.

BUSINESS IN HAND

Orders received were in excess of deliveries, and the amount of business in hand at the end of the financial year accordingly showed a distinct rise on the previous year.

The Company continued its investment policy of the last five years, and took further steps to extend, rationalise and improve plants and installations.

PROFITS FOR THE YEAR

Net profits for the year amounted to Frs. 77,189,054.94. The amount available for distribution, including a balance of Frs. 2,508,691.33 brought forward, totalled Frs. 79,697,746.27, as against Frs. 73,929,574.26 for the previous year.

It was proposed to distribute dividends amounting to approximately Frs. 77.25 million, that is, Frs. 320 gross (Frs. 227.50 net) per share, and to carry forward a balance of Frs. 2,451,196.75.

CONSOLIDATED MAIN REEF MINES AND ESTATE, LIMITED

MR T. REEKIE'S ADDRESS

At the Fifty-seventh Annual Meeting of shareholders held in Johannesburg on November 15, 1955, Mr T. Reekie, the Chairman, in the course of his remarks, said:

The results at the mine were again rather better than might have been anticipated, mainly due to the higher yield and an improvement in the non-European labour supply which enabled the tonnage milled to be increased. The benefit of this was, however, largely offset by the continued rise in costs. Moreover, as has been pointed out in the Directors' Report, the problem of maintaining both grade and tonnage is becoming increasingly difficult. Owing to the declining number and increasingly scattered nature of the available reserve blocks which are distributed over five reef horizons the rate of mining from these reserves, and consequently the tonnage to the mill, must soon decrease. During this financial year, however, it might be possible, if the labour supply is adequate, to keep up the mill tonnage, but the yield is likely to be lower because of the preponderance of low grade ore available for mining. You will already have seen some evidence of a decline in yield in the published results for the first four months of the year and it is necessary for me to point out that it may not be possible to maintain the present level of monthly profits for the remainder of the year, and that thereafter, as may be deduced from the information which has been given to you, the trend of profits will be downward.

Although it was gratifying that the tonnage of ore developed last year showed a substantial increase and that there was a decrease of only 72,000 tons in the available ore reserves, here again I must mention that, as the areas suitable for development are limited, this position is unlikely to be maintained and that a more rapid rate of decline in the reserves is to be anticipated in the future.

CHAIRMAN'S REPLIES TO QUESTIONS

The Chairman read a letter which had been received from an overseas shareholder asking for a reply at the meeting to two questions raised in the letter.

In reply to the first question, as to why large parts of claims on the South, Bird and Kimberley Reefs had not been developed, the Chairman stated that the areas were almost certainly unpayable. In nearly every case, each such part was surrounded by unpayable reef and despite an appreciable amount of internal development in recent years, little additional payable ore had been exposed. The southernmost exploration on these reefs had revealed a steady decline in payability and value and all evidence indicates that the large intact areas are completely unpayable.

In reply to a further question regarding the possibility of extending operations on the Main Reef and Main Reef Leader beyond the Company's southern boundary, the Chairman stated that because of the large potential tonnages involved this matter had for many years been given most careful consideration. Despite the generally discouraging values above 60 level three costly winzes—62E1, 60E1 and 60W2—had been sunk from the lowest workings on these reefs towards the southern boundary; driving and raising had been undertaken and also some borehole drilling. Unfortunately this work had indicated payability of the order of 10 per cent which would render mining operations in that area unprofitable.

The special resolution dispensing with the necessity for the Company to comply with the provisions of sub-section (9) of Section 70 of the Companies Act, as amended, was passed unanimously.

The Report and Accounts were adopted.

ALLIED BAKERIES LIMITED

CONTINUED EXPANSION OF INTERESTS

The twentieth annual general meeting of Allied Bakeries Limited was held on November 24th at the May Fair Hotel, London.

Mr W. Garfield Weston, the Chairman, presided and, in the course of his speech, said:

I am very pleased to present to you our report on another year of successful trading and continued expansion of our interests.

Our successful development is not restricted to Great Britain. In Australia our Bakery interests are being steadily extended and we have most encouraging news of our biscuit activities. Current reports are most satisfactory. In South Africa, too, we have every reason to be satisfied.

We had, in the first half of the financial year, acquired a number of new Subsidiaries and further opportunities arose for substantial investments in Aerated Bread Company Limited and other Companies. In the first place, these acquisitions were financed by bank overdrafts but in August of this year we issued £5 million of 5 per cent Unsecured Loan Stock at a price of 97½ per cent which, under the conditions prevailing at the time, can be regarded as favourable.

HIGHER EARNINGS

Total Revenue at £6,332,000 shows an increase of £647,000. After all charges, we are left with a Net Profit of £4,884,000. Our total provision for Taxation is £132,000 lower, at £2,474,000, and the balance of profit remaining is £2,410,000, an increase of £493,000.

You will note that the Fixed Assets total of £11,595,000 is higher by £1,890,000 than last year. This is after providing the very large sum of £1,375,000 for depreciation during the year, so that the gross additions total some £3,265,000. The balance of Goodwill at £300,000 represents a decrease of £200,000 since last year. The aggregate cost of Goodwill at £4,655,000 is lower by £25,000 than a year ago; in other words, in return for the very large sums which we have spent on new acquisitions during the year, we have obtained net Assets valued at slightly more than the purchase prices.

The item "Interests in Subsidiary Companies not Consolidated" at £4,844,000, includes our acquisition of Aerated Bread Company Limited which will represent in due course a very valuable addition to our Group of Companies.

STRONG RESERVES

Revenue Reserves and Surplus have been increased from £3,878,000 to £4,707,000. This figure represents the balance of undistributed profits after adequate depreciation on our fixed assets and the appropriation of large sums to Depreciation Reserves and to Reserves in respect of Goodwill. This policy of retaining such a high proportion of our profits each year has enabled us to carry through our vast programme of development and expansion.

This year trading has, so far, been at a satisfactory level and we can reasonably anticipate some improvement on the year's results.

The Report and Accounts were adopted.

ANGLO-ECUADORIAN OILFIELDS, LIMITED

LARGER PRODUCTION

The thirty-seventh annual general meeting of the Anglo-Ecuadorian Oilfields, Limited, was held on November 29th in London, Mr F. C. Bowring, chairman, presiding.

The following is an extract from his circulated statement for the year to March 31, 1955:

Crude oil production for the year again increased, amounting to 328,661 tons compared with 313,081 tons for the previous year, an increase of 15,580 tons, approximately 5 per cent. The increase in production was, as in the previous year, entirely due to oil from shallow wells. There was a slight decline—725 tons—in production from the deep horizons. Increased shallow footage drilled was largely responsible for the higher production. The total footage drilled during the year was 219,539 feet compared with 210,445 feet the previous year.

Casinghead gasoline production was 160,241 barrels compared with 145,624 barrels for the previous year. The increase in production is the result of a full year's operation of the enlarged unit to which I referred last year. The Refinery at La Libertad operated at full capacity throughout the year. The total throughput of crude oil was 243,088 tons, compared with 202,185 tons in the previous year. The increase was made possible by the full year's operation of the Foster Unit which was completed in February last year. As I explained in my previous Statement, it was originally intended to convert this unit for the manufacture of lubricating oils and asphalt, but in view of the acute supply position of refined products it was completed as a straight crude distillation unit.

Our sales of refined products continued to increase rapidly. During March last the Government authorised some increases in basic prices, namely the equivalent of ¼d. per gallon on kerosene, 1½d. per gallon on diesel oil, and 1½d. per gallon on fuel oil. Unfortunately, despite every effort on our part, we were unable to obtain any increase for gasoline.

The new contract with the Government of Ecuador will be comprehensive, including authority to build a new refinery and revised terms for your existing development concessions. The terminating date for all your concessions will be 1977, with the option to extend for a further 10 years, i.e., to 1987, the year in which the refinery portion of the contract will terminate.

The Net Operating income at £1,134,392 as shown in the Profit and Loss Account just fails to reach the £1,141,120 achieved in 1954. British Taxation at £303,542 shows the considerable reduction of £95,661, which is explained by the cessation of the Excess Profits Levy, adjustments in Double Taxation Relief and in Initial and Investment allowances. As a result the net profit for the year available for allocation at £324,159 shows an increase over 1954 of £98,134.

To the net profit for the year, after the payment of taxation, of £324,159, there is added £153,443 brought forward from 1954, leaving £477,602 for allocation. Your Board recommends the distribution out of the profit earned during the year of 14 per cent (less Income Tax). The Board also recommends that £150,000 be transferred to General Reserve to increase it to £1,225,000, leaving £206,852 to be carried forward to the next

account. Your Board views the company's future with confidence.

CHA.RMAN'S ADDITIONAL REMARKS

Addressing the meeting, the chairman said: A great deal has happened since you received notice of this meeting on October 17th. You had then just received my letter to you of October 14th, telling you of the LOL offer of four LOL five shilling stock units and ten shillings in cash for each one pound AEO stock. That letter was followed by another, dated November 4th, in which was set out the terms of the new LOL offer of two LOL five shilling stock units and fifteen shillings in cash for two AEO 6s. 8d. units, or 13s. 4d. worth of each one pound stock which you held. It also gave details of the agreement which had been reached between LOL and SAG. On November 21st LOL agreed to purchase stock offered under both offers, and closed the offers. Accep-

tances to the original offer amounted to £250,000 stock and to the second offer £800,000 stock.

As one-third of the stock (or one 6s. 8d. stock unit) assented to the second offer remains in the hands of the stockholders of the company, Lobitos Oilfields acquired under the second offer £530,000 stock.

In addition, LOL and SAG hold on their own account £265,000 stock. Consequently, LOL and SAG now hold approximately £1,045,000 stock of this company, or almost 70 per cent of the issued capital. Other stockholders hold some 30 per cent of the issued capital of £1,500,000, that is to say, £455,000 or 1,365,000 6s. 8d. stock units. As a result of the two offers, LOL will issue Ordinary stock amounting to approximately £650,000, or 2,600,000 5s. stock units. Of this total, 1 million units will be issued to AEO stockholders who accepted the original offer and 1,600,000 units to those who

accepted the second offer.

It is the intention of the board to effect a transfer of residence of your company to Ecuador as soon as possible, and I hope that within the next few days you will receive a notice of an extraordinary general meeting of the company, at which you be asked to approve alterations to the Articles of Association of the company, to enable this transfer of residence to be made. I am sorry to have to ask you to meet again so soon after the annual general meeting, but it has not been possible to agree the alterations to the Articles and to give the necessary statutory notice in time to deal with them at this meeting.

I hope that I will be able to announce within the near future the actual signature of the contract between the company and the Government of Ecuador, as all the conditions of the contract have been settled.

The report and accounts were adopted.

Capital in respect of the current year. This must not be taken, however, as an indication of any intention that the total distribution for the year will be increased.

The report and accounts were adopted.

THE ANGLO-INDONESIAN PLANTATIONS

The Forty-fifth Annual General Meeting of The Anglo-Indonesian Plantations, Limited, was held on November 29th in London, Mr G. C. Denham, CIE, CBE (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement: Our trading results have been exceedingly beneficial to the Indonesian Government but by no means to the same extent to the Stockholders.

The payment of Indonesian tax reduces our profit by more than one-half. The transfer of this profit to the United Kingdom is limited as only 60 per cent of the balance can be remitted; the remaining 40 per cent has to be deposited with the Bank of Indonesia and can be used solely for capital works.

Yet once again we have to suffer further reduction as the attenuated remittable profit has to bear a cess of 66 per cent. The eventual result is that less than 18 per cent of our assessable profit is remittable.

We hope gradually to strengthen our sterling position in London and, should we continue to make profits, we may be able to consider a small dividend based on the present year.

Our decided policy is one of consolidation which will mean the reduction of the area of our cultivatable land, based on its economic use and qualified by the final clearing up of the position created by the illegal occupation of large areas of our freehold property.

Our future is in the hands of Government and I am sanguine enough to believe that the situation is steadily improving.

The report was adopted.

THE OUTLOOK

So far in the current year the trading of the Parent Company and its Subsidiaries has not been unsatisfactory, and unless any unforeseen events occur the trading profit of the Parent Company and of the Group for the year to March 31, 1956, should show some increase over those for the year.

The Directors contemplate, unless anything unforeseen should prevent it, paying an interim dividend on the Ordinary Share

THE BORNEO COMPANY, LIMITED

MR C. R. AKERS'S REVIEW

The One Hundred and Sixty-second Ordinary General Meeting of The Borneo Company, Limited, was held on November 30th in London, Mr C. R. Akers, the Chairman, presiding.

The following is an extract from his circulated statement:

The Accounts for the Parent Company show that the Net Trading Profit for the year at £363,100 is practically the same as last year. For the Group there has been a fall from £904,948 to £673,386 accounted for by a reduction in the profits of Borneo Motors Limited and its subsidiaries. After crediting £100,000 Provision for Taxation no longer required, and transferring £150,000 to Reserves, and after the payment of Preference Dividend for the year and an Ordinary Dividend of 25 per cent the same as last year, there was a balance of £30,061 carried forward.

The Excess of Current Assets over Current Liabilities of the Group is £2,324,681 as compared with £2,236,559 last year. A satisfactory feature is the fall in Bank Overdraft from £729,852 to £361,616.

Trading conditions in all our territories were difficult, and most of the adverse factors which I mentioned a year ago still persisted. The rise in the price of Rubber which took place during the year had no appreciable effect on our business, but I am glad to say that in the current year there has been some improvement, and our Motor subsidiaries are enjoying a satisfactory recovery in trade. I hope these conditions will continue and also that political uncertainties, disturbances and strikes will not unduly affect the outlook.

TEAK

As mentioned in the Directors' Report the deliveries of Teak Logs from our Forests

PRESS RELATIONS.—Experienced woman journalist, formerly editor of trade journal and familiar Fleet Street news values, will advise on press relations and undertake individual campaigns. Annual retainer preferred but not essential.—Box 312.

ASK your bookseller for the December "Books of the Month." Critics unsurpassed in distinction in the English-speaking world write on new books of history, sport, science, aviation, biography, theatre, music, cinema, ballet and other arts. Contributors to the December issue include Ted Kavanagh, Naomi Lewis, Andrew Boyle, Colin Brogan, Richard Bennett, Dudley Pope, and Maurice Richardson. If your bookseller is out of stock ask him to order.—Or write direct to "Books of the Month," 188 Piccadilly, London, W.1.

DOUBLE YOUR SMOKING ENJOYMENT.—Try Grosvenor, the State Express cigarettes with the pure white plastic tip. 10 for 1s. 10d.

SUCCESSFUL TUITION FOR THE B.S.C. ECON. DEGREE

Wolsey Hall (established 1894) provides successful Postal Courses in a wide range of subjects for the two examinations for the London University Economics Degree (three if Entrance is included). Very reasonable fees; instalments. Over 1,000 Wolsey Hall students have secured this degree since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. P.16, WOLSEY HALL, OXFORD.

SPANISH. Intensive Course in London, January 2-6. All grades. **PORTUGUESE/SPANISH** Evening Classes from January 9th.—Educational Department, Hispanic Council, 2, Belgrave Square, S.W.1 SLO 7186.

WISE INVESTMENT follows wise reading. The *Investors' Chronicle* is the best informed and widest read financial weekly. For nearly 90 years it has been giving sound advice to investors. Two free issues from 30 LC House, 11 Grocers' Hall Court, London, E.C.2.

BARE BALANCE in Britain's external accounts is not enough; the leading article in the December issue of *THE BANKER* explains why—and questions whether the economy now is set towards true stability. A valuable background is provided by the two ensuing articles—*America's Quickenings Boom*, and *Subsidies, Rents and Rates*, a careful assessment by Leo T. Little of the implications of the new bill, and of its contribution to the solution of the housing problem. *THE BANKER* for December contains in addition *Argentina's New Hope*—the first detailed discussion of the dramatic changes in the economy that have followed the downfall of Gen. Peron; *A Central Banker Speaks Out: Italy's Drive for Prosperity*; and seasonably, *The Year's Best Reading*, a major review article of the most significant of new books in the economic and financial field; it finds the choice more rewarding than usual.—*THE BANKER* is obtainable from booksellers or from 72 Coleman Street, E.C.2, price 2s. 6d. From January 1st, annual subscription including postage will be 34s. 6d.

CARNATIONS KEEP YOU YOUNG.—Plants in your greenhouse are of endless interest every day of the year. Flowers in your home or office give atmosphere. Collection of 12 plants £7.10s. Collection of 25 plants £14. Carriage paid.—All in 6-inch pots, running to bud.—Dept. P.F.2, Allwood Bros., Ltd., Carnation Specialists, Haywards Heath, Sussex.

AUSTRALIA—UNIVERSITY OF NEW ENGLAND

ARMADALE, NEW SOUTH WALES
Applications are invited for the position of **LECTURER IN PSYCHOLOGY**. The Lecturer appointed will be required to participate in the preparation and supervision of courses for external students proceeding to the B.A. degree. He will, in addition, take part in the internal lecturing and tutorial programme of the department and will be encouraged to engage in research.
Commencing salary will be within the range £A1,200-£A1,750 per annum, according to qualifications, with annual increments of £A80. The salary is subject to deductions under the State Superannuation Act. The successful applicant will be expected to take up duties as soon as can be arranged after the date of appointment.
Finance is available for home purchase under the Staff 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, 36 Gordon Square, London, W.C.1.
The closing date for the receipt of applications, in Australia and London, is December 30, 1955.

NEW SOUTH WALES UNIVERSITY OF TECHNOLOGY

SENIOR LECTURER AND LECTURER IN HISTORY.
School of Humanities and Social Sciences.
Salary: Senior Lecturer—£A1,800 range £A2,150 per annum.
Lecturer—£A1,200 range £A1,750 per annum.
Commencing salary according to qualifications and experience.
Applicants must hold a degree in history or equivalent qualifications and university teaching experience is desirable. The senior lecturer will be responsible for the history courses of the School. The main history course traces the history of Western Civilisation and Australia; but opportunity exists for the teaching of a wide range of topics. Further information may be obtained from Professor R. M. Hertzog, Head of the School of Humanities and Social Sciences, Kensington, New South Wales, Australia. First-class shipping fares to Sydney of appointees and families will be paid. Appointees will be eligible, subject to medical examination, to contribute to the State Superannuation Fund.
Four copies of applications, including the names of two referees, should be lodged at the offices of the Agent General for New South Wales, 56 Strand, London, W.C.2, and one copy forwarded by airmail to the Bursar, N.S.W. University of Technology, Box 1, Post Office, Kensington, N.S.W., Australia, not later than January 6, 1956. Mark envelopes "University Appointment."

LEADING OFFICE MACHINES MANUFACTURERS

with world-wide organisation are looking for ambitious and capable young men able to assist them in their plans for sales expansion. Candidates must be willing to work hard to advance their career and take advantage of the unique opportunities existing with this progressive organisation. Applications are invited for vacancies on the London sales staff. A paid period of training is offered at the Company's school, after which the successful candidates will be put in charge of a territory and paid basic salary plus commission and expenses. Write in confidence, giving full details of education, etc., to Box 276.

MEDIA EXECUTIVE required for large international screen advertising organisation situated in Mayfair. Ability to plan, to negotiate with clients, to supervise mainly female staff essential. Also knowledge of world geography and export markets. Good prospects for right man. Salary range £800-£1,200.—Box 315.
CHIEF ACCOUNTANT of a large Civil Engineering and Building Company requires an Assistant Accountant. He must be an able administrator and capable of appointment in the London Head Office, offering an interesting post involving the control of a large clerical staff. Applicants should have had a considerable number of years' experience with a large Commercial Company or as a senior audit clerk with a professional firm. Age preferably 35 to 50.—Write, quoting reference N.G.L., giving full details of experience, to Box 311.
MANAGING DIRECTOR.—An internationally known Pharmaceutical and Chemical company of highest standing is looking for a man of proved and outstanding ability. He is probably aged between 35 and 45 and holding a similar position with a smaller company or is just below this position in a large company in the same field. He must be an able administrator and capable of being backed by strong administrative abilities. He will have a strong personality, imagination and drive, yet will be able to delegate responsibility and inspire and command the respect of his executives. Financial arrangements will be made to suit the right man.—Applications, which will be treated in strictest confidence, should be sent, by letter only, to Austin J. Wright & Co., Solicitors, 116 Victoria Street, London, S.W.1.

SCIENTIFIC DIRECTOR

A qualified Metallurgist and Chemist, aged 50-55, with wide industrial experience of control research and development, is required by well-established Non-Ferrous and Chemical Manufacturers. He must be an able administrator and capable of experience at Board level and should preferably have U.S.A. contacts.—Write, giving brief but essential details in first instance, which will be treated in strict confidence, to Box 284.

A STATISTICAL ASSISTANT required by H. J. Heinz Co. Ltd. The job entails the analysis of statistical data; sampling in the human population and distributive trade universes; the preparation of charts and tables. A sound knowledge of statistical theory is required but commercial experience is unnecessary. Write, briefly, with full information, to the Personnel Manager, H. J. Heinz Co. Ltd., Harlesden, N.W.10.
LEADING International Airline requires services of Market Research Officer (25-30 years) in their London headquarters to investigate, observe and report on sales possibilities (travellers) within the United Kingdom.
Applicant must be fully conversant with all official sources of information, be able to assess value of trade agreements and be capable of preparing constructive reports for the guidance of the Sales and Traffic Division.
Applications, stating previous experience, age and salary required, should be addressed to Box 314.

SALES PLANNING OFFICER

Vacancy exists (through promotion) for young man with intelligence, vision and initiative to accept responsibility for Sales Forecasting and liaison with Production Departments in progressive and expanding electrical firm with international connections. Some knowledge of statistics an advantage.—Please state details of training, present salary, etc., in confidence to Box 31, C8146, A.K. Advertising, 212a Shaftesbury Avenue, London, W.C.2.

LEADING MANAGEMENT CONSULTANTS have several vacancies for qualified Engineers, with executive experience and with initiative, to act as Consultants after training. Age not over 40. Salary scale: £1,500 to over £2,200 per annum, with considerable further prospects for exceptional men. Superannuation and expense allowances.—Full details of qualifications and experience to Box 294.
SALES EXECUTIVE for promotion of a service to industry. The calibre and personality of applicants must fit them for discussions with top level of management. Only applicants giving full details of education, career and salaries to date, can be considered.—Box No. 314, R. Anderson & Co., 14 William IV St., London, W.C.2.

WANTED

Woman Secretary to organise and manage an office for a small team of technical executives at the head of a rapidly expanding engineering organisation. The post is one involving a great deal of responsibility, and applicants, who should be competent shorthand typists, should possess considerable experience in office routine and be prepared to build up from a small unit. Knowledge of French or German would be an advantage, but is not essential. Location of work, 15 minutes from London Bridge (S.R.).—Box 310.

OPERATIONS RESEARCH

Applications are invited for the appointment of a Mathematical Statistician to operate in the research division of a large industrial organisation in South East England. The field of responsibility will cover operations research, the design and analysis of experiments, and the application of statistical techniques. One or two years' experience in this field is necessary. Commencing salary will be in the range of £750-£850 per year.—Applications should be made to Box 309.

The Economist's Annual Air Subscription Rates

Anglo-Egyptian Sudan: £5.10s.
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THE ALEXANDRIA WATER COMPANY, LIMITED

Alexandria, Egypt
R.C.A. 48
EXTRAORDINARY GENERAL MEETING
The necessary quorum as required by Egyptian Law not having been attained, the Extraordinary General Meeting due to have been held at the Company's Office in Alexandria on November 30, 1955, has been adjourned until December 7, 1955, at half past four.
Dated, Alexandria, Egypt, November 30, 1955.
By Order of the Board,
ALEX. L. BENACHI,
Chairman and Administrateur Délégué.

NEWCASTLE-UPON-TYNE EDUCATION COMMITTEE

MUNICIPAL COLLEGE OF COMMERCE
Principal: J. L. Gayler, B.Com., LL.B., Barrister at Law
LECTURER or Grade "B" Assistant required in ECONOMICS or MANAGEMENT or COSTING.—Further particulars and application form (returnable within two weeks of this advertisement) obtainable from Director of Education, Northumberland Road, Newcastle-upon-Tyne 1.

METEOROLOGICAL OFFICE, SCIENTIFIC OFFICERS.—The Civil Service Commissioners invite applications for permanent posts. The duties include research in atmospheric physics, covering the study of cloud structure, synoptic and dynamical meteorology, large and small-scale diffusion and turbulence, climatology, and development of instruments. There is a limited number of posts for forecasting work at the more important centres. Successful candidates will be given a course in meteorology before being assigned to a research or forecasting establishment for further training and experience. In some instances candidates with national service obligations can be commissioned in the R.A.F. for forecasting duties at R.A.F. stations. Further information may be obtained from the Director, Meteorological Office (M.O.10), Air Ministry, Kingsway, London, W.C.2.
Candidates must be between 21 and 28 during 1955 (up to 31 for permanent members of the Experimental Officer class). They must have a First or Second Class Honours degree preferably in physics or mathematics. Salary scale (men in London) £513-£925, somewhat lower in provinces. Women's salaries lower but being improved under equal pay scheme. Promotion prospects to Senior Scientific Officer (£1,070-£1,245), and higher posts.
Application forms from Civil Service Commission, Scientific Branch, 30 Old Burlington Street, London, W.1, quoting No. S52/55 (Met.). Latest date for receipt of completed forms December 31, 1955.

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Vacancies for two **UNIVERSITY GRADUATES** occur in the ICE CREAM DEPARTMENT of J. LYONS & CO. LTD.
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FULLY QUALIFIED MECHANICAL ENGINEERS, with works management experience, required by important organisation, with interests throughout the British Isles and Commonwealth. Applicants willing to accept assignments for a limited initial period, to five years in Canada, Africa or New Zealand, with a possibility of a final post in the United Kingdom, if desired, are invited to apply. Remuneration on a high scale, with superannuation facilities. Age not over 40.—Full details of qualifications, previous appointments and salaries, in confidence, to The Managing Director, Box 293.

DEPUTY CHIEF PERSONNEL OFFICER (salary up to £1,800) and two Assistant Personnel Officers (salary £1,000) required by large overseas company operating in West Indies.—Write in first instance for full details to Box 308.

BRITISH EUROPEAN AIRWAYS require an **OPERATIONAL RESEARCH OFFICER** to join a team engaged in the study and development of factors affecting productive efficiency throughout the Corporation. Applicants should have a good University Degree in Mathematics, Science, Engineering or Economics, and previous operational research experience. A sound knowledge of modern analytical techniques and the ability to apply them to practical problems is essential. Starting salary within the scale £985 to £1,290 p.a., according to qualifications and experience. Pension scheme. Air travel concessions.—Details of qualifications and experience to Head Office Personnel Officer, B.E.A., Keyline House, Rushlip, Middlesex.

ASSISTANT ECONOMIST/STATISTICIAN required by West Riding of Yorkshire Council, with experience in Economic Research and Forecasting Department. Preferably a recent graduate. State age, qualifications, experience (not essential) and expected salary.—Box 307.

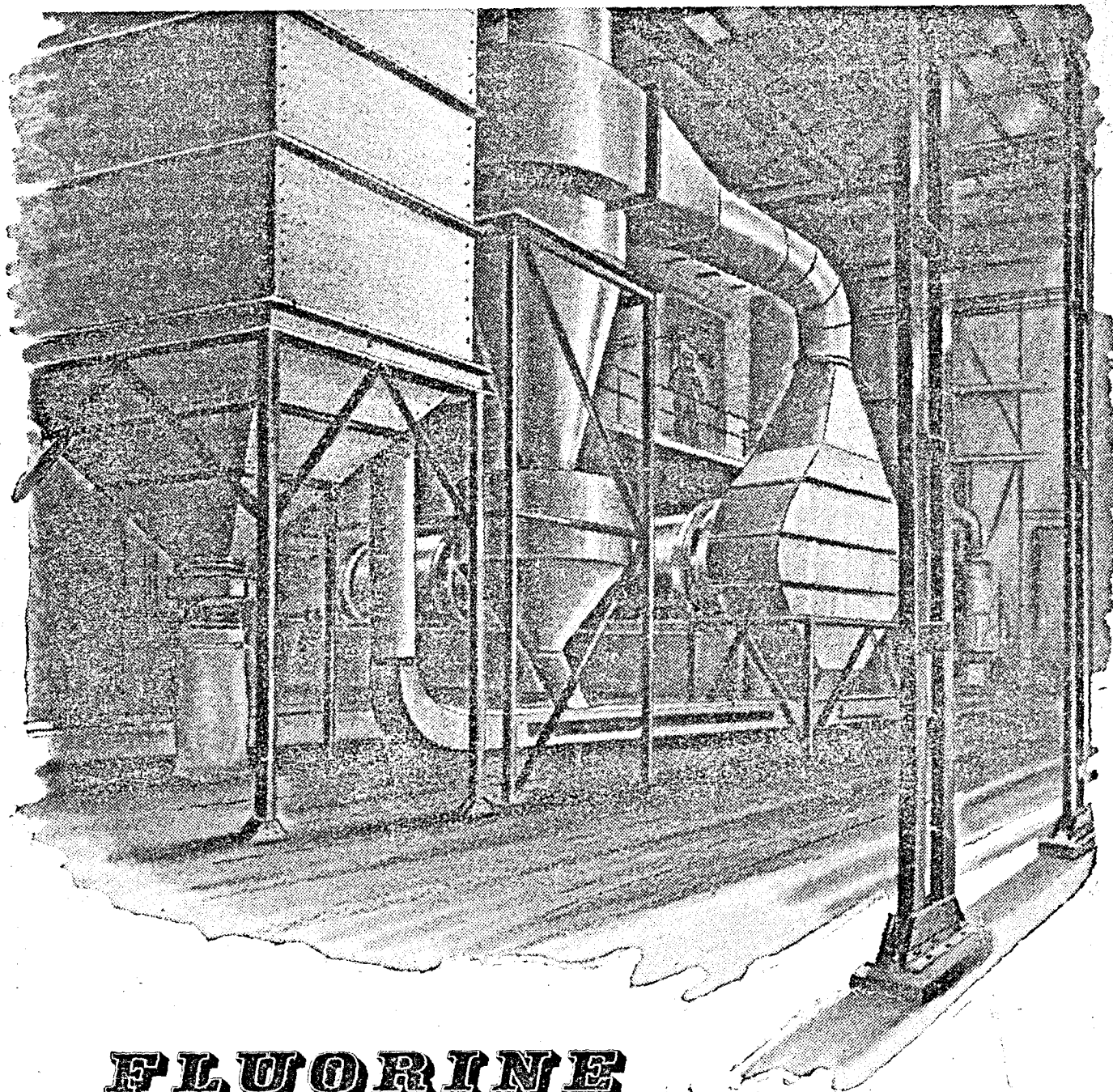
RESPONSIBLE EXECUTIVE, with wide practical experience of Market Research backed by technical ability and up-to-date knowledge, seeks senior post in London area.—Box 316.

SENIOR Executive, under 40, in upper pay bracket of nationally known company, seeks appointment offering immediately wider scope. Investment considered if necessary. Highly successful record. Many years' experience marketing of branded products to the grocery and allied trades. Also bulk supplies to many industries. Wide interests and business connections. Willing to work anywhere, although London area pref.—Box 292.

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RUGBIEN, Oxonian, single, 45, desires suitable post—minimum salary £800—fluent French, German, some Portuguese, Spanish, experience export procedure, documentation, correspondence.—Box 302.



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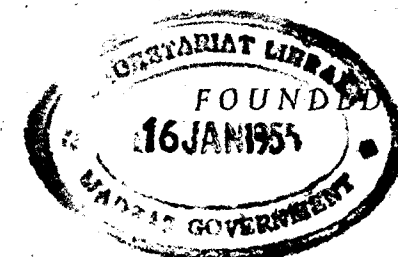
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The Economist



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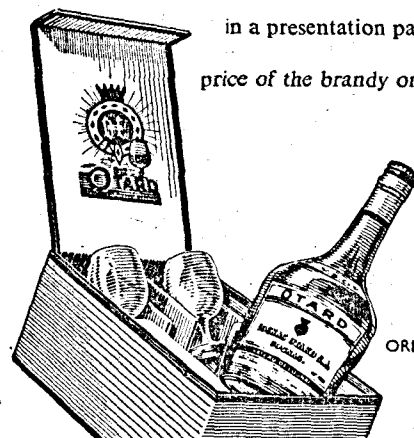
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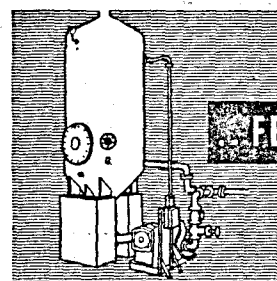
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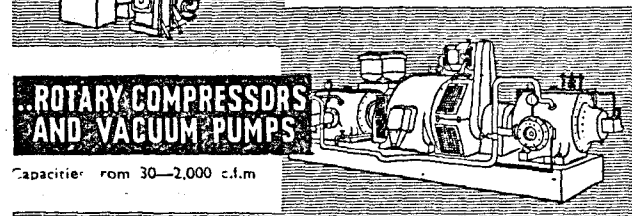
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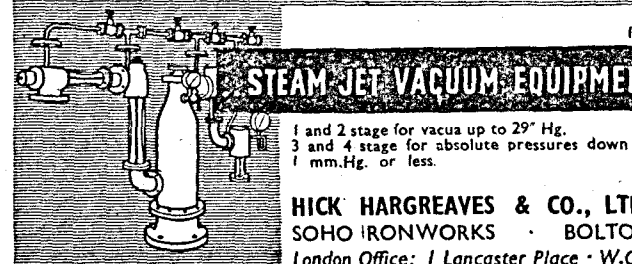
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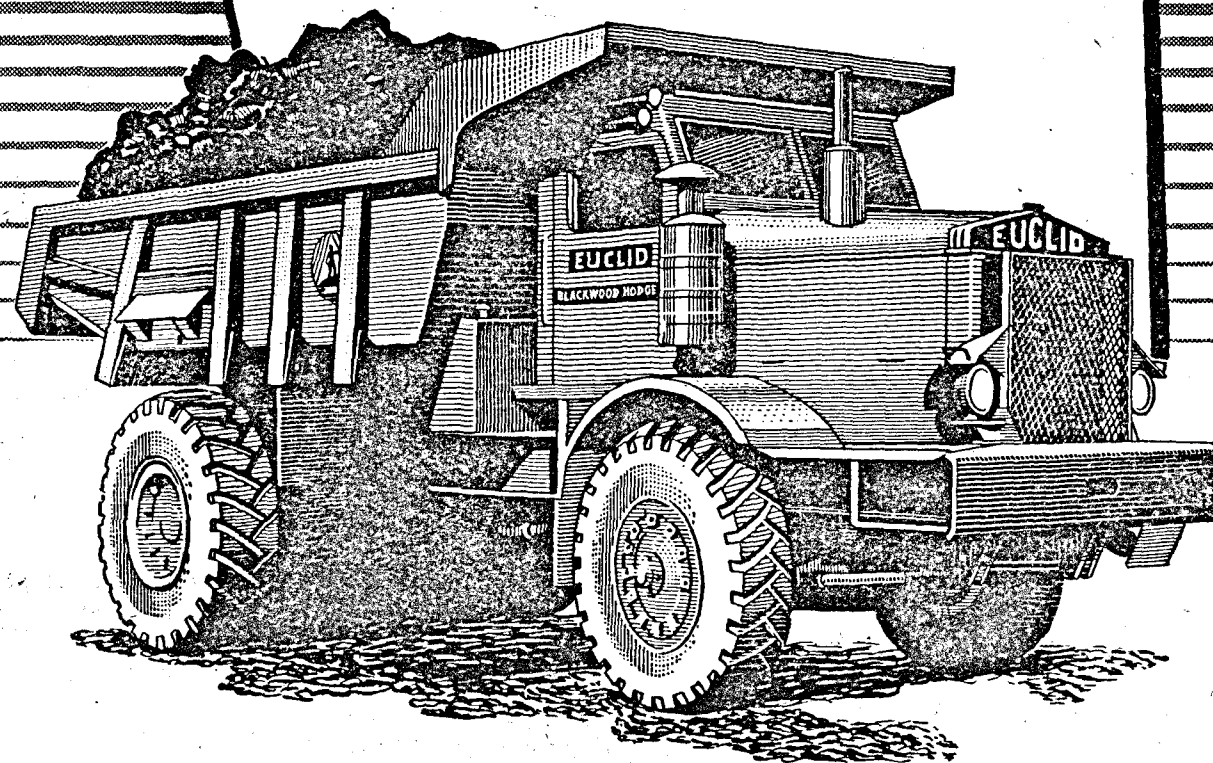
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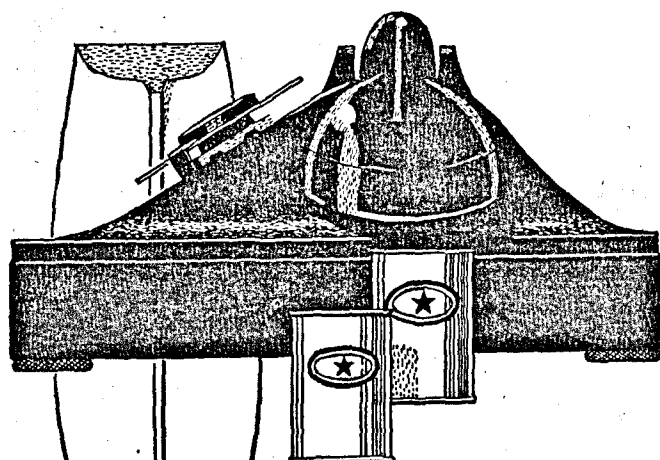
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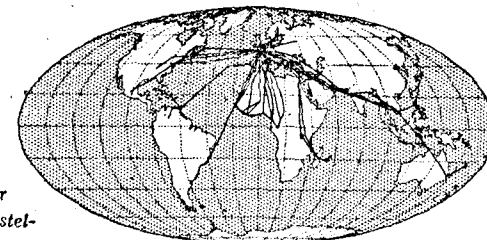


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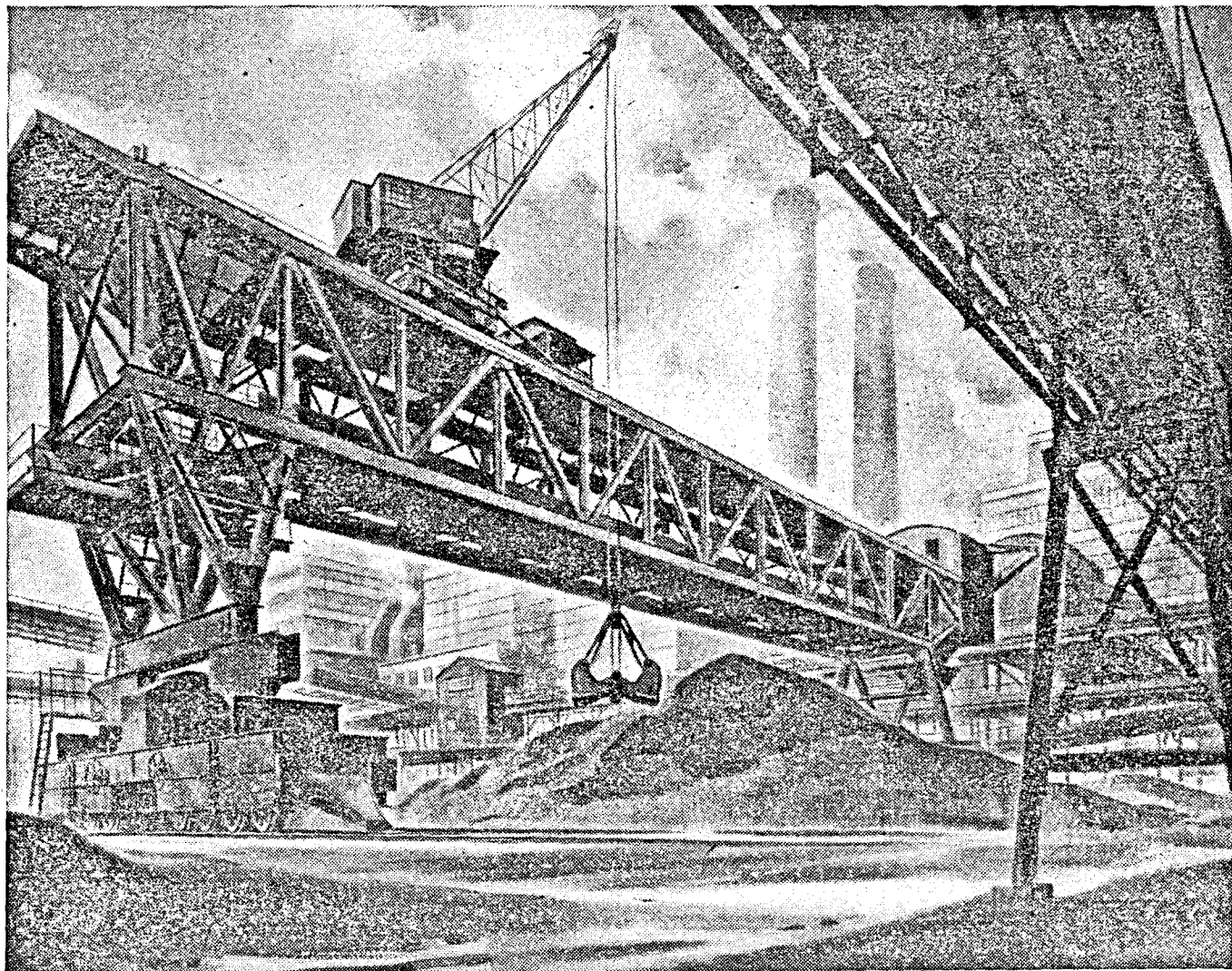
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S.E.C. AND THE CHANGING WORLD 4



An artist's impression of a coal handling plant at a London power station

Materials handling... an industry for industry

In many industries 50 tons of material must be lifted, moved, loaded and unloaded to produce a single ton of the finished product; and the cost involved can be between 15% and 85% of the total cost of production of an article.

Materials must be moved both rapidly and economically with the minimum of human labour. For instance, at a London power station a coal storage of 750,000 tons can be built up at the rate of 400 tons an hour by one of the largest handling plants in Europe.

In fact, the bulk handling of materials has now become an industry in itself—a highly mechanised industry that calls for a complex range of specialist

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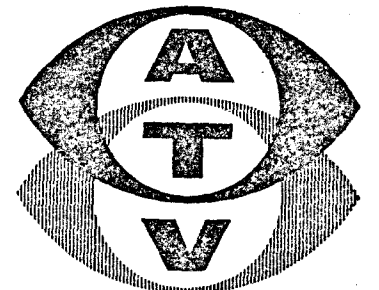
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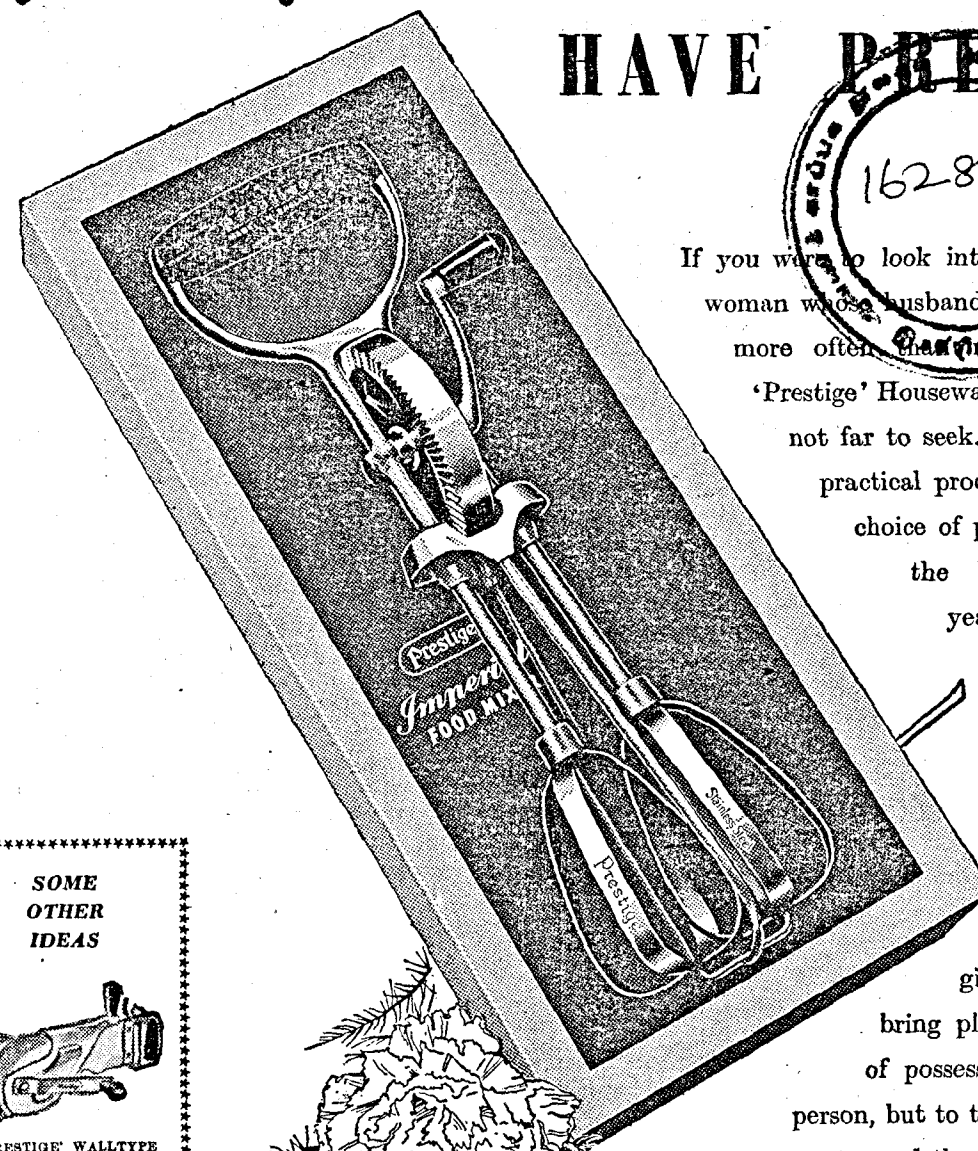
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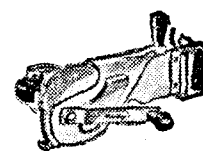
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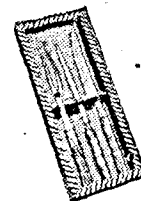
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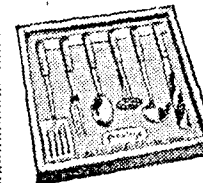
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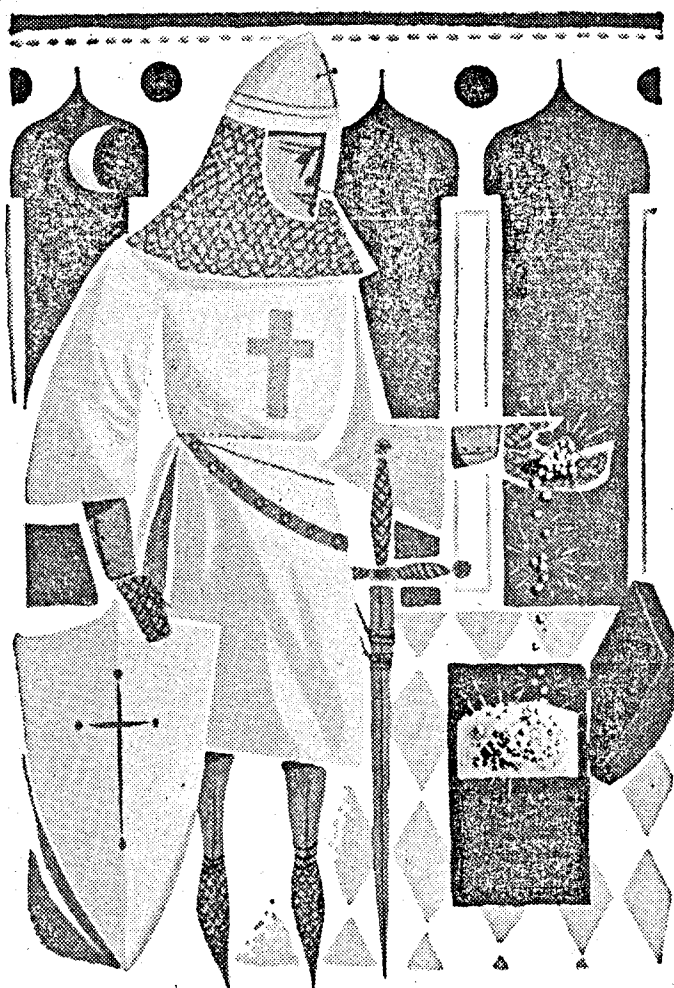
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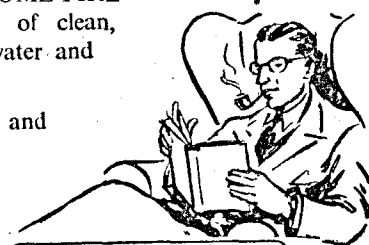
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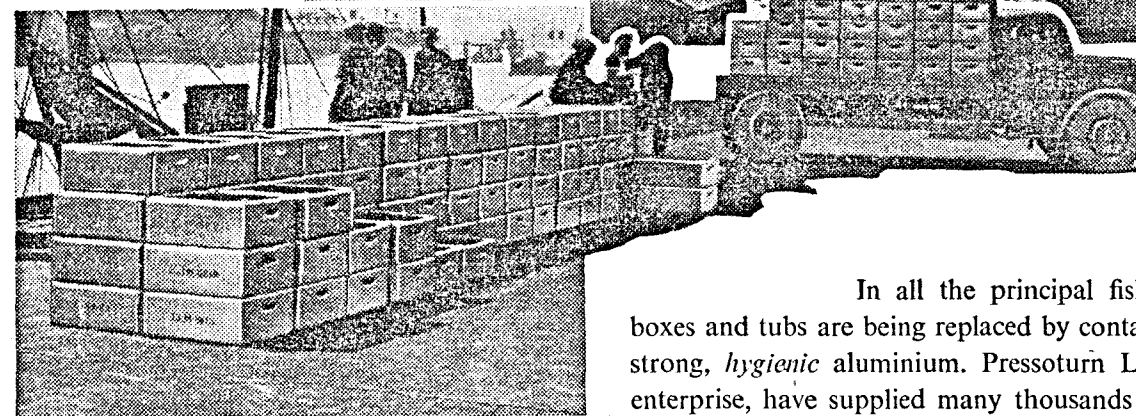
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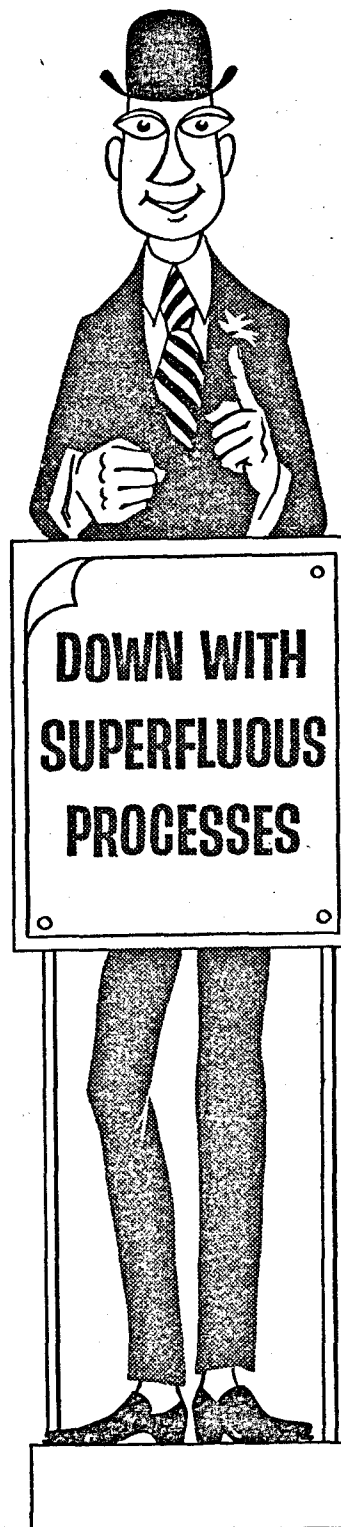
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The Economist

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DECEMBER 17, 1955

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What Makes a Manager?

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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.

Labour of Hercules

THE Labour party has chosen the only leader that it sensibly could have chosen from the candidates available to it; but it has had to make a painful and dangerous decision nevertheless. Everybody knows why the decision has been painful: the result of the ballot must have brought bitter hurt to Mr Herbert Morrison. There is something in Mr Morrison's manner that prevents people from seeing his merits, which are many and great. He was the organiser of victory for Labour in 1945, and no man has done more to make the party an effective organism. He has held some of the highest offices of state, and the non-Labour public should remember that he has always shown himself moderate, open-minded and devoted to the public interest. This is no ordinary politician who is now bowed off the stage. But if his curtain call is sad, it is also inevitable. Mr Morrison has been kept waiting too long, and it is now too late.

The reason why the decision to elevate Mr Gaitskell to the leadership is also a risky one may be less generally appreciated. It is that this week's choice may prove to be the start of an unprofitable slide of Labour to the Left. This may seem a strange thing to say when the man who has been elevated is Mr Gaitskell. The apprehensions that arise are not, of course, based on any sinister interpretation of his character. Mr Gaitskell is what he appears to be on the surface: a moderate, sensible and agreeable man—with a streak of political genius that nobody foresaw in him ten years ago. Indeed, the fears arise precisely from the fact that he is such a moderate and sensible right-winger. For the moderate and sensible right-winger in the Labour party—unless he is also a hero of the trade union movement—tends to be a lonely figure. It is no accident that nearly all the previous leaders of the party have been—or at the time of their election were thought to be—compromise candidates from the middle of the road. From the nature of the party, it is always subject to the pressure of dissidence on the left, and a man of the acknowledged right is in a difficult position for controlling the wild men. He is not well placed to fulfil the main function that must fall to any Labour leader in the next twenty years.

That function, to make no bones about the matter, is to turn his back on the age of Keir Hardie. This is not a contentious judgment of what Mr Gaitskell ought to do; it is a straight forecast of what Mr Gaitskell, if he is to lead the party successfully for the next twenty years, will have to do. Even by the time that Mr Gaitskell gets his first opportunity to become Prime Minister, in 1959 or 1960, Britain is likely to be a country in which about one-third of all families will own their own motor car, more than half will own their own television set, considerably more than half will have a stake in industrial pensions schemes, and a greater proportion of the people than ever before will be decently and modernly housed. What Britain will be like when Mr Gaitskell reaches retirement age, in the late 1970s, defies imagination.

It is quite clear, however, that for this new and emerging sort of society, which in the jargon of yesterday will be a mainly middle-class society, the precepts of Keir Hardie will have about as much relevance as those of old Mother Hubbard. The struggle of the people is now an inspiring struggle for more wealth, better leisure and more equal opportunity; it is no longer a bitter stage struggle against hard-faced capitalists, grinding poverty and grime. The new leader of Labour will have to retain all that is best in the Labour tradition, the idealism in it, the generosity in it, and the sense of progress in it. But he will also have to persuade the party to abandon some of its favourite catchphrases and beliefs. The test of a successful leader is whether he can get it to abandon them quickly enough to keep in touch with developing public opinion.

This is where Mr Gaitskell's right-wing antecedents will be in his way. The first desire of a party leader is to hold his party together, and a right-wing leader is under peculiar compulsions to make concessions to the left wing. One has been able to observe Mr Gaitskell doing it in recent months, from his fervour for nationalisation at Margate to the venom of his attacks on Mr Butler in the House of Commons. Ernest Bevin could afford to stand for commonsense and refuse to argue about it; but that was because he could always whistle up his faithful trade-union bodyguard. Mr Gaitskell has no such personal following; he can rule only by persuasion, and persuasion means conciliation.

Paradoxically, a left-wing leader would be a better guarantee of moderation, for his imperative necessity would be to keep the right happy; he would find himself both needing to make concessions to the right and better able to reconcile the left-wingers to them. But the only left-winger on offer this week was Mr Aneurin Bevan. There was a time, seven or eight years ago, when it seemed that Mr Bevan was going to succeed in making the transition (like another Welshman fifty

years ago) from an inflammatory politician to an administrator and a statesman. But by a series of personal and political decisions, Mr Bevan has made it clear that, if he is to emulate Lloyd George at all, it will be the erratic and destructive later years rather than the promising early ones. The party had no option but to reject him this week.

Mr Gaitskell was therefore the only possible new leader. Indeed, this is to put it too grudgingly. It is far too early to say whether he will develop into the formidable character that the job requires—a sort of Disraeli in reverse. But it is already clear that he is a very remarkable man. His meteoric rise from obscurity within ten years, assisted though it has been by the successive patronage of Dr Dalton, of Sir Stafford Cripps and of Mr Attlee, is sufficient proof of his quality. He is the first of Labour's intellectuals to have shown himself also to be an efficient administrator. What is more to the point, he has accomplished something that is harder for the intellectual than for anybody else—he has convinced the non-intellectual common man (who is so apt to take subtlety of mind for dishonesty) of his personal integrity. Compared with any other recent Labour leader, not even excluding Stafford Cripps, he combines the qualities of character and intellect to an unexampled degree.

It remains to wish him well in his task. This is no empty personal compliment; it is a matter of the highest public importance that Mr Gaitskell should succeed. For what this country, with its somnolent and arthritic tendencies, badly needs is a forceful and realistic party of the Left. It can be as radical as it chooses, and yet not hurt the common interest, provided only that it also finds itself on reality and sense. Labour is not such a party now—it is two parts old-fashioned, one part doctrinaire, and one part downright silly—but Mr Gaitskell may be able to rebuild it in this image. It will be a herculean task; but not an impossible one.

The Happy Hypocrites

THE ebullient head of the Russian Communist party and his prime minister must be happy men as they return from their costly month of junketing through southern Asia. They may not have achieved all that they hoped for, but they have set Asia by the ears—and that, it is now clear, was their chief aim. Admittedly, to dub Mr Khrushchev's activities mere trouble-making would be unfair to his versatility. He has applied unction, where he saw fit, as lavishly as he has flung vitriol. Vitriol, however, was the most active ingredient in the brew that the Soviet rulers offered to their hosts. The pattern of their innumerable speeches hardly varied. In every speech there lay, embedded in a mass of lip service to goodwill, peace and brotherly

understanding, a coldly calculated incitement to ill-will. Mr Khrushchev went out of his way—literally, in the case of his visit to Kashmir—to drag in contentious issues or to invent crude but venomous fictions. These were no mere outbursts of spleen, as he himself was at pains to deny. For example, his notorious utterance in Bombay, where he accused Britain, France and America of sending Hitler's army into Russia, was carefully repeated and elaborated a fortnight later in Rangoon.

This was a crude form of lying. Rangoon may seem to Mr Khrushchev a remote and credulous place; but some people there will remember that it was the signing of the Stalin-Hitler pact in August, 1939, that

freed the Nazis to start the second world war and share the initial spoils with Russia. The vital point, however, is not that the Soviet rulers' various inventions have been "fantastic" (as Sir Anthony Eden rightly said on Monday), nor that they can be proved false by turning to any reference book, but that they were premeditated. From the first day of their month-long tour, the two Russians set to work like beavers to "divide and fool."

It was multiple division. Their first and most obvious target was to embitter anti-western feeling among Asians, by recalling ancient wrongs as well as current grievances (and here Mr Dulles's ill-timed and ill-considered words about Goa gave them unexpected aid). They went so far as to warn an India which had achieved independence without war only eight years ago that it stood in deadly peril and must make ready to defend itself against a British attempt to reconquer it. This calls to mind not only the late Colonel McCormick's fear that George III's redcoats might yet attack Chicago, but also the story of the heron in the *Panchatantra*, India's equivalent of Aesop. Finding the fish in his favourite lake increasingly hard to catch by the usual methods, the heron warned them that fishermen were soon coming to net them all; and the frightened fish gratefully accepted his offer to carry them one by one in his beak to a safer place.

Secondly, the Communist rulers have also aimed at stimulating western exasperation at, and suspicion of, the Indians and Burmese whom they had tricked into appearing to applaud their lies. Mr Nehru and U Nu have not only been made to provide a magnificent platform for anti-western diatribes; they have also been made, by the use of "doubletalk," to appear slavish followers of the devious Communist line on numerous issues, a fact in which Moscow's worldwide propaganda apparatus is already revelling. Nor is that all. India and Burma are known to have strong feelings against "colonialism" and against "blocs"; and nobody in the West disputes their right to such feelings. But it is a somewhat different thing when democratic Asian statesmen are seen solemnly condemning blocs hand in hand with the builders of the mightiest power bloc in history; or joining, in a denunciation of "colonialism," with the one power that still holds vast areas of Asia in an iron grip, that deports whole Asian peoples by the million to bleak corners of Siberia, and uproots, for instance, Moslem Kazakhs from their ancient lands, while pouring white settlers into Kazakhstan.

★

Westerners can understand that traditions of Asian hospitality require the strewing of rose petals along Mr Khrushchev's triumphal way, and inhibit his hosts from publicly differing with him even when he most embarrasses them. But when they see an apparent readiness to echo Moscow's more vicious slogans, to

imitate its deceitful jargon, and to accept its patronage, they are not unnaturally inclined to suspect either hypocrisy or suicidal blindness. Having (like India and Burma) a free press and free expression, they have, inevitably, vented these suspicions. The conduct of the Soviet tourists shows that they sought to stir up precisely this kind of suspicion and acrimony.

But, equally clearly, they had a third aim: to divide free Asia against itself, widening the gap between those Asian states that seek security through defence pacts and those that shun them, and inflaming the Kashmir and "Pakhtunistan" disputes just as they had previously inflamed the Arab-Israel frontiers. It is noticeable in this context that these "standard bearers of progress" have not been in the least concerned to champion the more enlightened Asian countries against the more reactionary. On the contrary, several of the most feudal and fanatical regimes in the Asian-Arab world are now being wooed by Moscow. Trotsky once termed his rivals' morals "variable and at the same time elastic, like good braces." Mr Khrushchev, who sees the need to adopt a distinctly less revolutionary tone in Kabul than in Rangoon, has no difficulty in keeping his trousers up.

Likewise, his professed solicitude for the Asian masses has not prevented him from doing his utmost to poison the atmosphere of friendly co-operation between free Asian countries, and between them and the West, which means so much for their future. Nobody in southern Asia sees Russia as likely to help the region on anything like the scale of western aid, half a billion dollars' worth of which has already been provided for India alone. Indeed, it would be strange and unprecedented if the Communists seriously thought of helping non-Communist nations to avoid the very economic crises that, according to Marx's dialectic, are needed to impel them into the Communist camp.

Thoughts of this kind have, it seems, taken shape in the minds of many perceptive Asians as the Soviet visit proceeded. Mr Khrushchev's revamping of history has not gone unnoticed, nor has his evident intention of estranging India and Burma from their neighbours and friends. The way the Russians went home after this first month-long visit to the non-Communist world with their dogmas and preconceptions intact may, too, have recalled to some Indian minds another fable from the *Panchatantra*—that of the Unteachable Monkey. But it would be foolish to suppose that they struck no chords in even the most sophisticated Indian heart when they spoke of Goa or Kashmir or of the alleged exclusion of India from a place among the great powers. And among the countless thousands of newly literate, scantily educated Asians who read cheap, heavily subsidised Communist publications, the impact of the visit has probably been far more telling. As a correspondent who followed the Russians' tour points out on page 1038, thousands of children have been rehearsed in pro-Soviet slogans; and the "broad masses," to use the Communists' own phrase, were no doubt awed by the splendours they

witnessed—although it may be worth noting that after Marshal Tito's visit to Burma, many ordinary folk along his route were heard to say: "What a waste of money! It's only because he is a white man that the government takes all this trouble."

Whatever the extent of the Russians' success in putting across their propaganda—and it will not be possible to estimate it for some time—one thing is clear: the West ought not to be thrown into either rage or panic. Nothing, indeed, would suit the Communists better than a noisy dispute between westerners, with one faction saying "we must hasten to buy back Asia's friendship" (that is, offer lavish aid, at a moment when it will be clear to every Asian that these offers spring from fear, not from friendship), while the other complains "why waste more money on these ungrateful people, who have pocketed our earlier gifts and then spat in our eye?"

★

Sane thinking about these things ought to begin (not only in the West, but in free Asia, too) from a very different, very simple fact, so taken for granted that it is all too rarely expressed: the fact that free men, in all countries, have a common cause in checking the spread of tyranny. Now that the iron ring of Communist tyranny has closed round nearly a billion human beings, the free societies of Europe, Asia and America have no choice but to help each other survive. The collapse of either free Asia or the West would condemn the other to eventual surrender to the great monolithic power *bloc* north of the Himalayas. That is why the Communists are sweating blood to divide them.

It is nonsense, in this context, to think of "keeping Russian aid out of Asia." On the contrary, the appropriate slogan for the West to adopt here might be "come on in—the water's not too warm." The propagandist value of the new Soviet offers is short-term. It is indeed high time that Russia, which so loudly proclaims its wealth and its eagerness to help others, took on a fair share of the job of aiding poorer countries—and was publicly held responsible for doing so. Mr Khrushchev has offered to "share his last piece of bread" with several less well nourished Indian audiences; what has held him back? And, moreover, how long will it take for Soviet aid to become taken for granted, for Asian recipients to fret at its nakedly bilateral and choosy forms and urge Moscow, as they have urged the West, to channel it through multilateral systems such as Uno and the Colombo Plan?

The point that has to be got over to Indians and Burmese is that the West is not longing to enrol them in defence alliances, but is desperately anxious that they should remain free societies—an anxiety shared by all Indians and Burmese except a few extremists of both Right and Left. If, then, Russian economic offers are of a kind that helps them to avert difficulty and disorder, as western aid does, so much the better—and that is a point that needs to be got over to the

western public. And this example shows how the real problem of maintaining friendship between free Asia and the free West in the face of Communist splitting tactics is much more than one of economics; it is primarily a problem of understanding.

That does not mean high-powered, glossy propaganda ventures; nor does it mean mealy-mouthed silence about genuine differences of opinion. Argument is, in fact, the breath of freedom. Frank and sincere exchanges of views, even where agreement cannot be reached, are by far the best recipe for friendship between the democracies of Asia, America and Europe. To insult Asia's intelligence, as the Communist rulers have done by their gross flattery, their veiled barbs, and their "doubletalk," is not the way to win its friendship. If, on the other hand, Mr Khrushchev's hideous example stimulates the western world—which is regrettably sluggish in these matters—to listen more carefully to Asian views, to expound its motives more honestly to Asia, and to base its relationships with Asia on lasting friendship rather than on the tricks of the travelling showman (all things which the Russians have not done), then some good may come out of the past month's events.

Local Government Reform

The metropolis now contains, in its extended circumference, nearly as many people as Scotland; and the town population for ever increasing in a much greater ratio than the rural population, its condition, especially in relation to space, must have a commanding influence over all future legislation. This consideration makes the new Act for the regulation of the metropolis, under which the New Board of Works was elected by the different metropolitan parishes this week, of very great importance. . . . They seem generally to have been set about in a very ordinary way, without any solemnity. The clergymen or churchwardens, who are generally the chairmen of the vestries, either did not interest themselves in the subject, or had not comprehension of its bearings, and gave no explanation to the vestries of the duties they were summoned to perform, nor urged them to be careful in performing them. Yet it is not too much to say, if the jobbing and corruption of which we have heard so much throughout the empire as prevailing vices are to be destroyed, the destruction must begin from the electors. The reform must commence in parishes. . . . It seems probable . . . that the Act for the better government of the metropolis will be the commencement of a more fruitful change in our institutions than even Parliamentary Reform. . . . All existing sewers are placed in the hands of the New Board of Works, and under its exclusive control; but, if any other or better system be suggested, there is nothing in the Act which prescribes an adherence to the system already acted on. These are only specimens of the discretionary power which the Act places or confirms in the possession of the parishioners and the vestries; and, in the end, as the town population increases more and more, the principle of these discretionary powers, or self-government, if they be not nipped in the bud, will become more and more the general rule of the whole community.

The Economist
December 15, 1855

How to Kill the Purchase Tax

MR BUTLER has flown a kite about the long-term possibility of turning the purchase tax into a sales tax. The newspapers have misinterpreted this very tentative action as a signal of early intent. The Labour and Liberal parties have reacted strongly against it. And Mr Butler has pulled in his kite a little lower. This seems to be the right reading of the rather bewildering cut and thrust about indirect taxation during recent debates on the Finance Bill. The reading is rather a sorry one. It is going to be a great pity if any party irrevocably strikes its attitude over this issue before thinking out what the issue means.

The first effect of any transition from purchase tax to a sales tax—and, theoretically, the only necessary effect—would be that the tax would be collected from some 700,000 retail outlets (including, possibly, such outlets as restaurants and garages) instead of from about 80,000 wholesalers. The single disadvantage of this would be that Customs and Excise officials would have more work to do in collecting the tax; but outside commentators have no need to emphasise this point to the Chancellor. The Customs and Excise will have emphasised, indeed probably over-emphasised, it to him already. The advantages of this method of collection would far exceed this solitary disadvantage. Some of the advantages would be mainly technical: the new method of collection would close some irritating loopholes, and it would obviate the wild changes that occur in retailers' stockbuilding whenever they think that purchase tax rates may be cut. But the big advantage of the new system would be that it would enable the Chancellor to tax services as well as goods; and Labour should note that this extension of the tax to services—suppose, for example, there was a penny in the shilling surcharge on restaurant meals, beauty parlour treatment and motor car repairs—might be generally progressive, not regressive, in effect.

If these were the only effects of a switch to a sales tax, then presumably there would be little party controversy about the value of it. But, almost certainly, there would be changes in relative burdens as well. Although, theoretically, retailers could be told to levy sales taxes at different rates, appropriate to the four current rates of purchase tax, they would be likely to get into a great muddle in trying to fulfil any such directive. The problems caused by oddities in the purchase tax schedules are great enough when they are problems for the big wholesalers to handle; they would drive the good lady who keeps the village store to distraction. For this reason, if for no other, a sales tax would probably have to be either a flat rate percentage tax on all sales; or else, more probably, a flat rate percentage tax on all sales except those of food and a few other essentials, plus a special luxury tax on a list of other items. Moreover, it would be administratively wise to keep this list of luxuries, as well as the

list of total exemptions from the tax, as short as possible. This might appear to be regressive, but would it be a bad thing?

Economically, it would not. The present graduation of purchase tax rates has been grossly misused by successive Chancellors. Far too often, whenever the British public and foreign importers have demanded more of the product of a particular British industry, or whenever there has been any other sign that the industry concerned ought to expand, a Chancellor has leapt in to discourage this expansion—by a discriminatory increase in purchase tax rates, in order to curb what he calls "immoderate demand." Conversely, Chancellors have often prolonged the death agony of declining industries by giving them discriminatory tax reliefs. This is the exact opposite of economic sense. Moreover, the idea that a graduated purchase tax can also be used to discriminate against luxuries runs into a major difficulty. It is that the things that are defined as luxuries in the conditions of today are the very things that ought to be the incentive goods for the workers in the conditions of tomorrow.

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Presumably, if discriminatory indirect taxes had been introduced long ago, the British tax system would now be discriminating against everything except potatoes, black cotton stockings, and peasants' smocks. Should not Mr Gaitskell, in particular, recognise the implications of discriminatory purchase tax in a changing world? Just after the election he very wisely publicised the letter of a young constituent who said that workers of his generation looked forward with avid expectation to being able to buy a motor car. Should not Mr Harold Wilson recognise the dangers of imposing large indirect taxes on things that are considered, at any one moment of time, appropriate only for the rich? In his own childhood, if he is to be believed, the things that only the rich were supposed to buy included shoes. The idea of a discriminatory purchase tax on things that the better off workers are just beginning to buy is not a progressive idea. It is an essentially reactionary idea, designed to keep the workers in their present stations. The proper battle cry of the Left should be that within twenty-five years every miner has got to be able to buy his wife a fur coat. If Labour wants to redistribute real purchasing power, the most efficient method of doing this is to rely on direct taxes alone.

But this leads to the third—and perhaps the biggest—reason for present opposition to the idea of a sales tax. This is the fear that if ever indirect taxation were to get on a more sensible basis, Chancellors might rely more heavily upon it and less heavily upon a progressive income tax. There is no necessary reason why this

should happen ; but, once again, it seems a very reasonable guess that it would. For a really widespread sales tax would be a great money-spinner. A tax of a penny in the shilling on all consumers' expenditure, other than expenditure on food and rents, would bring in more than the £400 million-odd yield of present purchase tax. There would, of course, be pressure against levying the tax on some items of expenditure ; such as on insurance services and fuel, which are not taxed at the moment, or on alcohol and tobacco, which are heavily taxed under a different system already. But any Chancellor would be likely to become very enamoured of this weapon once he got it, and perhaps to turn his attention towards the possibility of using it to finance reliefs in direct taxation, in order to lift some disincentives to production.

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It is presumably this fear that has led the Opposition parties to protest so loudly at Mr Butler's kite ; it is presumably this that led even Mr Philip Fothergill, speaking for the Liberals, to say that a sales tax would be "essentially a Tory concept." If critics are going to use pejorative terms about a sales tax, however, they ought to try to get their pejoratives right. For a sales tax would not be an essentially Conservative concept ; if anything, in modern parlance, it would be an essentially Communist one. In Soviet Russia today a sales or turnover tax is by far the biggest single source of Government revenue. As a result, the maximum direct tax on income in Russia is just over 2s. 6d. in the £. There was a delightful story in the *News Chronicle* recently about a visiting Moscow banker who was told that in Britain a man with his

income would pay tax at 15s. in the £. It was some time before he could be convinced that his informant was not joking ; when he finally was convinced, he said flatly that the British must be mad. In Communist autocracies, of course, the state can concentrate on the single objective of getting the revenue it needs in the way that will have the least harmful effects upon incentives to produce ; in non-Communist democracies considerations of securing greater equality in incomes must also play their part. But how great a part, and within what ranges ?

The Opposition parties would be wise to consider this carefully. This year there are going to be some 17½ million income tax payers, compared with under 4 million just before the war ; while successive Chancellors raise the level of personal allowances to try to exclude some workers from the range of income tax, successive increases in earnings and prices push still more workers into it. Already some skilled workers are at the stage where high direct taxes on their marginal income, and high indirect taxes on the sort of things they want to buy, are major disincentives to overtime working ; if British prosperity progresses as it should, many more workers will reach this stage in the next few years. Wise politicians of any party would seem to have both a sound and a subtle reason for agreeing that tax reliefs should be directed towards this economically important and politically marginal section of the community. It may be necessary to agree with Mr Butler's warning last week that nobody should "under-estimate the complexity and difficulty" of switching from purchase tax to a sales tax ; but this is the time to ask of him that he, please, should not underestimate the advantages either.

Fourth Term for Mr Menzies

MR MENZIES has won an unqualified victory over Dr Evatt, and has performed the unusual feat of increasing his government's majority, not just after one term of power—which was considered so notable in Britain last May—but after three. This was possible for Mr Menzies, as for Sir Anthony Eden, only because of the fratricide and follies of his Labour opponents ; and if Mr Menzies's is the greater achievement that is mainly because the Australian Labour party is in a far worse mess than the British. Mr Menzies has drawn a straight answer from the Australian electorate on the question of dealings with Communists. The Australians have made it clear that no person or party tainted with Communist sympathies will be allowed to govern. Mr Menzies has thus wiped out his referendum defeat in 1951, when the electorate rejected the constitutional amendment to give him powers to proscribe Communism. Perhaps the biggest

eye-opener of the Petrov case was the revelation that the Australian Communists had received \$25,000 from the Russians to help defeat Mr Menzies's referendum appeal.

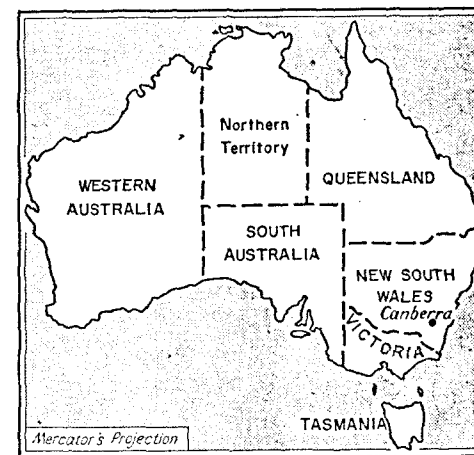
What else has Mr. Menzies gained ? Until the results of the Senate election are known, early in the new year, it will not be possible to concede him complete victory in the general election. The Liberal-Country party coalition now hopes to scrape home with its Senate majority intact, which it hardly expected to do before Dr Evatt appealed to Mr Molotov to settle an Australian argument ; but this is not yet certain. The Australian Senate is a very peculiar upper house. Designed to give weight to state interests on the basis of state equality of representation and to reflect shifts in political allegiances more gradually than the lower house through the mechanism of re-election of one-half of its strength by turns, it in fact does neither ; on

the contrary, either it acts as a mere rubber stamp or it exercises a total veto. Without a majority in the Senate, any Prime Minister finds it hard to govern and almost impossible to govern well. It might seem reasonable to expect that after six years of Liberal power the Senate should be moving Liberal-wards. But as 18 government senators came up for re-election against 12 Labour senators, the upper house could swing perversely the other way, leaving Mr Menzies with a larger majority in the House of Representatives but with less chance of using it to push unpopular and controversial legislation through.

But even if it can be assumed that he will win the Senate (and he should have support from one sitting anti-Communist Labour senator) the actual poll does not suggest that he has won a mandate on his own positive appeal. In fact, the Liberal and Country parties polled a smaller proportion of the total than last time—43.6 per cent, compared with 46.3 per cent. The pro-Evatt poll declined rather more than this only because the anti-Evatt faction of the Labour party secured 5.7 per cent of the total votes—and instructed its supporters to give their second preferences to the Liberal candidates. Australia, on votes, remains what it has long been—basically Labour-minded. Labour débâcles of this kind only happen when Labour methodically cuts its own throat.

Now that Mr Menzies has won, he should be asked to reveal his constructive programme. The anti-Evatt campaign is over ; but presumably the anti-inflation campaign looms ahead and will not be anything like such easy going. Before the election, Mr Menzies could argue that he was unable to do anything drastic with a majority of seven—a credit squeeze, import cuts, a standstill budget, but none of them more than palliatives. With a probable majority of 30, and control of the Senate, there will be no more excuse for half-measures.

The Australian electorate itself is in a much more realistic mood. It is significant that the Labour executive, in framing the Labour party's official policy for the election, pruned it of the more flamboyant promises made when Dr Evatt himself drew it up for his frantic bid for power in 1954. The average Australian, after five years of increasing freedom from industrial strife, with his growing personal prosperity, and a stake in stability, as evidenced by the rapid extension of hire purchase, is nowadays less interested in the indefinite extension of state welfare and more concerned about the threat to his standard of life from inflation. In 1953 the arbitration court pegged the basic wage, which had always been blamed as the main cause of inflation because it was tied to the cost of living. The tie has been cut, yet the cost inflation goes on.



The inflationary spiral has no doubt been given a new push because individual awards to various industries have been granted recently on the cost-of-living figures ; but the basic causes of Australia's inflation go deeper. The country still does not attract enough capital to keep pace with its long-term needs, with the over-ambitious investment programmes forced by the states on the Commonwealth or inherited from the Labour era and still absorbing large resources, and with the rapid growth in population, swelled by a net migration of 80,000 yearly. Six years of Liberal rule have not completely reassured the foreign investor, or sufficiently encouraged the local saver. The valuation of the Australian pound at a 25 per cent discount against sterling remains a potent cause of inflation by operating as a permanent subsidy to the wool industry, and in times of boom pouring far too much money into circulation. The interest of the wool industry in the undervaluation of the Australian pound is sufficiently attested by the solid opposition of the Country party to any change. In the long run, the strength of the

Country party, with its over-weighted rural vote, is vital to the anti-Labour forces ; but in this Parliament the Liberals, with their big majority, should be able to put more pressure on their allies. Unless something is done, another three years of inflation will infallibly swallow all the good will the government has built up.

The world will take note that the anti-Labour victory has established Australia's distinctive foreign policy more firmly than ever. Dr Evatt bitterly denounced the sending of troops to

Malaya, so foreign to the Australian tradition, but intended as evidence of Australia's determined membership of Seato. In the complex of problems that surrounds the China Sea, the Australian line, taken by Mr Menzies and Mr Casey, the Minister for External Affairs, has been closer to the American than to the British.

One opportunity Mr Menzies would do well to grasp now that his position is so much stronger (and in an enlarged House) is that of injecting a little new blood into the tired old veins of his ministry. It has been an increasingly valid criticism of the Prime Minister's cabinet-making that he has given youth too little chance to prove its worth and shown too great a tenderness to old stalwarts who have done all the good they were ever likely to do, and who offer no competition to the Prime Minister's personal predominance. The appointment of the Minister for the Army, Mr Francis, as consul-general in New York, and Sir Earle Page's retirement from the Ministry of Health seem to open up the possibility of a whole series of changes in which the young men should find their opportunity.

It looks as if Dr Evatt's course is run. The effort which he made to force a left-wing policy upon the Labour party has ended in catastrophe, a moral story that elements in the British Labour party may ponder. Australian Labour is now urgently in need of a Chifley to reunite it on a moderate progressive programme; the most it will get seems to be a Calwell or a Makin. To regain power it will obviously have to move to the right; but the election showed that its right wing cannot exist separately. The anti-Communist candidates failed as completely as the anti-Evatt candidates did in the Victorian state election earlier this year. The right tactic was shown later by the Labour party in New South Wales, which united Catholics and non-Catholic moderates against Dr Evatt's bid for personal supremacy.

It is too early to see any direction in which the

demoralised Labour party can work out a new policy. But it is clear that what it needs to do above all else is to think out that policy and its objectives in relation to the social and economic changes which are coming over Australia. Socialism is written into the party's constitution, though the federal system has always frustrated its achievement; but Dr Evatt's attempt to force a left-wing policy down the throat both of the party and the country in the teeth of practical experience of the difficulties was senseless. It would be just as senseless for the left-wing elements now to encourage industrial unrest by way of direct action in retaliation for the defeat at the polls. A new policy needs hard thinking, and Australian Labour's weakness has been that in recent years it has done even less thinking and even more quarrelling than the British Labour party.

Notes of the Week

For Deputy Now

LABOUR's election results were: Mr Gaitskell 157, Mr Bevan 70, and Mr Morrison 40. This means that Mr Bevan polled what is now regarded as his full basic vote; and that the two hundred non-Bevanite Labour MPs divided for Mr Gaitskell, as against Mr Morrison, in the embarrassingly high proportion of four to one. As Mr Morrison has retired to the back benches, there is now a wide range of party posts to be filled. They include the deputy leadership, several offices in the Shadow Cabinet—including the Shadow Chancellorship—and possibly the party treasurership. Only the chairmanship of the sub-committee on organisation has been decided so far; Mr Wilson has at last been installed in this, his proper niche.

The most important decision, which will not be taken until after Christmas, will clearly be who is to be the new deputy leader. What Mr Gaitskell really needs is either a deputy whose presence by his side will give him a greater sense of security and power, or else an ally who believes in Gaitskellite policies himself and who can bring trade union support; what Mr Gaitskell should not want is a politician who is always doing the splits between right and left, and who might therefore induce Mr Gaitskell to do the splits himself. Assuming that Mr Gaitskell is not likely to be run over by a bus, there is therefore a good case for saying that either Mr Bevan (if he will take the job) or Mr Robens would be the best choices; many non-Labour people will

think that Mr Griffiths or Mr Wilson would be the worst ones. But the general impression at Westminster this week seemed to be that Mr Gaitskell will get Mr Griffiths all the same.

Incompatibilities East of Suez

LAST Monday's debate on the Middle East can have edified no one outside Russia. It was a bandying about of unrelated ideas, and of assertions that "something must be done," which did not yield a single plan for doing anything. It lacked coherence chiefly because no speaker uttered the essential truth that present British policy in the Middle East is pursuing two ends which are compatible only up to a point. The first is that of creating a defence mechanism against Soviet expansion on the lines of Nato, and has produced the Baghdad pact that entails aiding and arming local allies. The second policy is that of the Tripartite Declaration of 1950, whereby the three western powers seek to keep war between Jew and Arab at bay by rationing their armaments and freezing the armistice line between them. The two policies are compatible so long as the arming of a state under the first does not destroy the balance sought under the second, and the outside limit to which compatibility can be stretched is in the arming of Iraq.

For Iraq is now in a different case from its Arab neigh-

bours. Its mind is just beginning to work differently, first because its wealth from oil is creating within it vested interests, small as well as large, that it needs to preserve from upsets of the kind the Russians like to foster; secondly, because certain oilfields are situated so far north that Iraq feels the threat of Soviet expansion more than any other Arab state; and thirdly, because it has no common frontier with Israel. Its growing absorption with its own development is rendering it more loth than before to expend its substance on adventures two removes away. There are grounds for arguing that London can arm Iraq with one hand and preserve the Tripartite Declaration with the other.

Jordan on the Touchline

BUT arguments designed to reconcile the Tripartite Declaration with the creation of a Middle Eastern version of Nato collapse when a state on Israel's border joins the Baghdad pact. The clause in the Tripartite Declaration intended to maintain balance becomes unreal; the Israelis, moved by fear that Britain intends to squeeze them unduly, become more intractable than before; and the western world is farther from, not nearer to, the compromise for which Sir Anthony Eden is fumbling. It would render that goal yet more remote if it were to guarantee Israel, thereby increasing Arab intractability. Here are the dilemmas that will materialise, if, as may now happen, Jordan is wooed into the pact.

Naturally the Jordanians, half of whom are bitter ex-Palestinians, are divided on the issue. Many feel more drawn by the anti-Israel creed of Syria than by the anti-Communist slant of the new Iraq; some are being bribed with Saudi gold to feel the first way; a cabinet this week resigned over the issue. But if its successor sticks to the British connection and the dynastic tie with Iraq, the only British escape from incompatibility will be to admit that the Tripartite Declaration has failed at the lightly armed level and to call a meeting of the three guarantors in order to decide whether any purpose can be served by seeking to keep a balance between heavily armed contestants. It would be better to strike this balance jointly than to dissolve into three western factions separately arming old favourites.

Russian Advance Guard in Bonn

A DIFFICULT test for German diplomacy has begun. Mr Zorin's advance guard has arrived in Bonn. The Russian diplomats at once visited Beethoven's birthplace, thus putting a stamp of cordiality on the new period of Russo-German relations which will open when the Soviet ambassador moves into his mansion on the Rhine. The West German government is bracing itself to resist Russian blandishments. Herr von Brentano has made it plain that he is determined to hold out against recognition of the East German satellite regime. He has declared that the Bonn authorities will not open diplomatic relations with any state, other than the Soviet Union itself, which recognises the

"German Democratic Republic," and will break off relations with any state that does so.

The German Foreign Minister made his statement after the head of the Red Cross had reported that the Polish government was prepared to release its German prisoners only in exchange for the establishment of an ambassador in Bonn. In face of this fresh example of flagrant blackmail, the West German stand is remarkably firm. It indicates the vital importance of keeping Herr Ulbricht at arm's length.

The warning from Bonn will also place a number of neutrals in a quandary. Austria, India and Egypt are all being tempted by East German trade offers. In the Middle and Near East, in particular, the East Germans are offering machinery at dumping prices 20 per cent below western tenders, in exchange for surplus or low-quality commodities which cannot be sold to the West. The East German regime is claiming that both India and Egypt have already agreed to give its trade missions in their capitals something like consular status. This Communist claim, however, is premature; and it may never become reality if the western governments constantly make it clear that they take the same firm stand as Herr von Brentano.

Dr John's Come-Back

IT was a serious blow to the West German government when Dr Otto John, the head of its office for the defence of the constitution, crossed over to East Berlin in July, 1954, and subsequently made public statements about re nascent Nazism in the west which provided juicy material for Herr Ulbricht's propagandists. Dr Adenauer and his ministers were gleefully baited on the subject, not only by Communists and neutralists, but also by neo-Nazi elements, whose vendetta against Dr John arose from his British connections as well as his activities against undemocratic forces. But the federal Minister of the Interior, Herr Schröder, boldly and patiently maintained his insistence that Dr John was neither a Communist nor a deliberate traitor; he repeated this argument as lately as Monday, before a sceptical investigating committee, and on the very same day Dr John himself succeeded in eluding his guards and, apparently with some help from a sympathetic journalist, escaped back to West Berlin.

His return bears out the belief—already held by westerners who had seen him during his sojourn in Communist territory—that his going east was an impulsive, almost hysterical action, carried out under great nervous strain, and probably under some hypnotic influence, and that what he saw in the Soviet Zone stripped him of his illusions. He has left the Communists floundering, one of their mouthpieces brashly trying to pretend that he had returned to the west to check neo-Nazism, another alleging, just as unconvincingly, that he had been kidnapped. He has correspondingly strengthened Dr Adenauer's hand against extremists of both left and right. And his escape, which, even in the relatively easy circumstances of divided Berlin, must have called for ingenuity and courage, inevitably evokes reflections about the number of other individuals who have, at one time or another, "gone east" on impulse. How many of them would give their eye teeth,

to follow the prophetic John back to freedom, if they were not held deep inside the Communist empire or encumbered by families or other hostages against their escape?

The Message from Greenock

IN retaining its seats at two by-elections last week, Labour marked up a swing of 2.3 per cent at Greenock on a remarkably high poll, and of 1.2 per cent at Gateshead on an apathetically low one. The party's achievement at Greenock was dead on bogey. It would take a swing of almost exactly this size, spread evenly across the country, to bring Labour back to power in a general election.

But two notes of caution need to be sounded in Labour's ear. First, one of the reasons why it scored an above-average gain of votes at Greenock last week may have been that it suffered an above-average loss there (a swing of 5.7 per cent against it) in May; indeed the Conservatives' way of interpreting the result is that Labour has picked up considerably less than half of the ground that it had then lost. Secondly, the Conservatives do not seem to have alienated so many voters by Mr Butler's economy measures in the early months of this Parliament as they alienated in the early months of the last one; eight months after the 1951 election, it should be remembered, the Conservatives actually lost 10½ per cent of their share of the poll in a Scottish by-election (Dundee East), although admittedly some of this swing went to a Scottish nationalist instead of to Labour. And from that hard economic ploughing of 1951-52, the Tories can say, a rich harvest came in time.

Arithmetical abstractions apart, the Conservatives' simulated cheer from their defeat at Greenock is obviously rather more bogus than Labour's cheer from its victory there; but Mr Gaitskell has no reason to assume, on this evidence, that he will be borne into No 10, Downing Street on any purely automatic swing of the pendulum. He will have to do something positive to hurry that swing along.

Quieten Down

SIR DAVID ECCLES made a very good speech about teachers' pensions last week end, and most teachers know it. The national row that is now being so noisily conducted by a minority of teachers, and tacitly supported by a majority of them, is a colossal strategic error. Teachers usually get a very good press, partly because so many journalists who write about them are ex-teachers; they also usually get very careful treatment in Parliament, partly because their pressure group is spread so evenly across the country. But the latest tumult over the Superannuation Bill, culminating in the proposed ban on collecting savings and in other examples to children of how to undertake inefficient guerilla activity, has soared right outside the control of the teachers' usual champions; it is inducing a wide range of influential public opinion to ask what sort of people have got into the teaching profession.

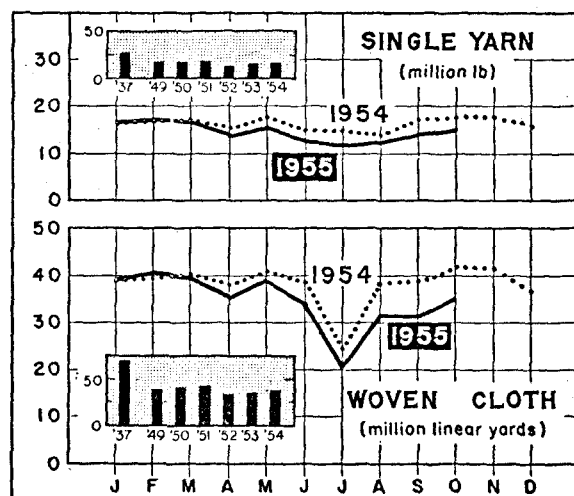
It is important for the future status of schoolmastering that the broad mass of teachers should stamp this sort of thing down. Other professional groups are not regarding the present demonstrations as a welcome incursion of trade union efficiency into their own stratum of society; too many of them are regarding it—no doubt snobbishly—as a lower middle-class whine. And this is the worst possible development for teachers, if they are to gain—as they deserve to gain—a greater measure of professional status in their negotiations for a new Burnham award.

Post Mortem on a Strike

WHEN the English employees of Rolls Royce again refused to strike in sympathy, it was clear that the stoppage at Glasgow could not last much longer. It came to an end after mass meetings last Wednesday, and 7,500 men returned to work having lost seven weeks' pay and gained precisely nothing: Mr McLernon is still working at Blantyre and will presumably continue to ignore the men's agreement to restrict his production and bonus earnings.

The collapse was hastened by a rebel group at East Kilbride, which has been asking awkward questions about the role of the shop stewards who called the strike; and this indignation appeared to be shared by a local official of the Amalgamated Engineering Union. But it is not good enough to blame everything on the shop stewards now that the strike has failed. The strikers, abandoning in solidarity's name the ability to think for themselves, reacted blindly to the cry of "100 per cent unionism." They never stopped to question the way in which Mr McLernon found himself a non-unionist—some of those who did work at his factory did not even know that he was on his own and could not have "hogged" work from the other polishers. They chose to forget that several of those on strike had earned more over the last months than Mr McLernon; and that earlier, when he had less work than they, they had not shared their bonus

OUTPUT OF THE BRITISH COTTON INDUSTRY
WEEKLY AVERAGES



earnings with him (there was no reason why they should). Most fantastic of all, it now appears that more than 100 of those who made this stand for 100 per cent unionism had themselves been suspended from their unions for being in arrears with their dues.

It should have been the task of union officials to tell these silly sheep the facts and firmly to oppose the strike. But they too gave way, although half-heartedly, before the devious pressures upon them; and it has taken them seven weeks to find the courage to recommend a return to work. The management comes out of this affair with higher marks: in a circulated document it did try to tell the men the facts of the dispute. But the engineering employers' policy of refusing any discussions while men are on strike—which is intended to prevent the bypassing of the York agreement on disputes procedure—has the disadvantage that it does not help to acquaint the men with the true position or with the strength of the management's resistance. Some of their stickiness on this point derives from a misinterpretation of what the word "discussions" ought to mean.

Uno's Door Bursts Open

FOR many weeks the Canadian plan to break the deadlock over new admissions to the United Nations has been making a precarious passage between the Scylla of Soviet suspicion and the Charybdis of Nationalist China's intransigence. Last Saturday the proposal to admit simultaneously eighteen Communist and non-Communist candidates looked like foundering on the rock of Soviet suspicion of western good faith. On Tuesday it ran foul of both hazards, and seemed to have sunk. But the next day the Russian delegate performed a surprising salvage operation. He summoned an emergency meeting of the Council and proposed that all eighteen candidates should be admitted except Japan and Outer Mongolia whose case should be reconsidered next year. After vainly trying to secure Japan's admission as well, the startled Council fell in with the Soviet plan.

The blame for this unnecessarily hazardous passage must be shared between Formosa and Russia, but it was Formosa that threw the first spanner into the works when the Security Council met on Tuesday. Dr Tsiang tried to get South Korea and Vietnam added to the "package" of eighteen, although he must have known that this would be quite unacceptable to the Russians—and, indeed, to many members of the Assembly who dislike the admission of parts of divided countries. Mr Sobolev duly vetoed the proposal, whereupon Dr Tsiang vetoed the admission of Outer Mongolia; after that the fat was properly in the fire and the Soviet delegate, who has always insisted that it must be all or nothing, proceeded to veto all non-Communist candidates. His belated realisation that no one intended to double-cross him over the admission of the four European Soviet satellites may have encouraged his second thoughts next day; and although the exclusion of Japan is most deplorable, it was perhaps too much to hope that Mr Sobolev would renounce his pound of flesh in return for giving way over Outer Mongolia.

It is not easy to understand why Formosa should have chosen to throw its negligible weight about. It was not put

up to it by the United States. The Americans may have encouraged Chiang Kai-shek's intransigence by their own hawking over Outer Mongolia, but it is known that President Eisenhower sent at least two appeals to him not to use the veto. It is unlikely that the Nationalists have seen the writing on the wall and decided to go out with a bang rather than a whimper. Their propaganda shows that they are increasingly living in a dream world and it is quite possible that they simply overrated their importance to the Americans. To most other people, however, it is plain that their action will hasten the day when Nationalist China is itself ejected from the United Nations by the vast majority of exasperated members whose wishes it has flouted.

Dr Rhee Saws Himself Off

PRESIDENT SYNGMAN RHEE is still plucking at the nerves of his friends and neighbours. All South Korea's patrol vessels have now been mobilised to guard the so-called "Rhee line" between Japan and Korea, and its acting foreign minister, Mr Cho, has said that it will "resort to any method" to keep Japanese fishermen behind the line. Thus the threat made by the South Korean joint chiefs of staff at the end of last month to fire on Japanese vessels which cross the line still hangs over the peace of the area. A group of Japanese MPs who recently asked the South Korean minister in Tokyo if the declaration meant what it said were given the dusty answer that it was made "merely for the purpose of stressing his country's repeated warnings."

Meanwhile, it is reported that Japanese patrol boats are being used to escort fishing craft across the line and warn them of the approach of South Korean warships; and the likely reaction of the gunboat-and-grapeshot school of Japanese politicians has been indicated by the complaint of Mr Ogata—who may well be the next prime minister—that Japan has not shown enough strength. The Foreign Minister, Mr Shigemitsu, has promised that only peaceful methods, including perhaps an appeal to the International Court, will be used to settle the dispute, but he is likely to face a growing demand for a showdown.

American uncertainty about what to do with Korea is illustrated by the long delay in sending a new ambassador to Seoul to replace Mr Lacy, who retired last October. Although one cause of friction between South Korea and America was recently removed by a new agreement on taxes to be paid by foreign businessmen, the United States has been annoyed by the expulsion of one American who criticised the arrangements. Dr Rhee continues to incite demonstrations against the Communist members of the neutral nations' commission supervising the truce, who have to be protected by American troops; and he has now started to dun the United Nations Command for what he claims are its debts to his government. The President, who is due to fight an election some time within the next six months, faces a variety of problems on the home front, including a chronic budget deficit, a severe power shortage and far too high a price for rice. It may be his intention to divert his people's eyes abroad; if so, he is playing an extremely dangerous game, for his country's need of both American and Japanese friendship is painfully obvious.

Moscow Dog Fights

THE Fleet Street principle that "dog does not bite dog" was very unilaterally applied in Stalin's Russia. Gone were the early revolutionary days of newspaper controversy. *Pravda*, the official organ of the Communist party, alone had the right to bite; other papers were not even allowed to bark back. The precedent was broken last week when the governmental daily *Izvestia* rejected *Pravda's* strictures without any apology. The point at stake was insignificant—it concerned an article on maize cultivation—but the departure from the established pattern is not. It may merely indicate a very slight loosening of the straitjacket imposed by Stalin on the Soviet press; but it is more likely to reflect, obliquely, the factional struggle between his successors which goes on despite Beria's liquidation and Malenkov's deposition.

It is, however, impossible to deduce the exact alignments within the leadership from the faint echoes of the Georgian firing squads or the reshuffling now going on at all levels within the party in preparation for the first full congress since Stalin's death, which is to be held in February. This congress will presumably be given the new party line on a subject which seems to have aroused violent, if muffled, controversy, namely the pace at which the Soviet Union should proceed "towards Communism." The answering of this crucial question may not be achieved without some casualties in the party hierarchy.

There will be a preview of this congress before the end of the year, at the Christmas session of the Supreme Soviet. The budgetary debate will this time take place much earlier than usual, and should throw some light on the shape of the five year plan to come. The session may also be used to expand Soviet foreign policy in the new "post-summit" period, but Mr Khrushchev and Marshal Bulganin will probably have more to do than parade their Asian laurels. It was at a meeting of the Supreme Soviet at the beginning of this year that the bombshell of Malenkov's resignation was exploded. This month, too, Russia's docile "parliament" may also be presented with something outsize in Christmas crackers.

Wages on the Farm

THE Agricultural Wages Board is proposing to raise the wages of farm workers by 8s. a week, bringing their minimum wage up to £6 15s. This settlement was suggested by the farmers' representatives, as an alternative to the £7 minimum which has been strongly pressed by the workers' unions. Will it be enough to keep as many workers on the land as are wanted there, or to induce farmers to use their available labour more efficiently?

In the last year alone 25,000 workers have left the land for better-paid jobs in the cities. Farm workers suffer from the disability that they have very scant scope (compared with workers in industry) for earning more than their minimum wage. At present, skilled and experienced farm workers have no entitlement to higher wages than young and inexperienced ones, and they cannot in practice expect ever to make more than a pound or so extra above the

minimum. To provide any sort of promotion ladder in British agriculture is very difficult, because most farms employ only one or two workers, who are inevitably Jacks-of-all-trades; in consequence, hardly any workers can save enough to become farmers themselves, and those who do so frequently regret it. It would be possible to introduce a wage structure providing higher wages for special skills and experience; but the workers' unions have so far been unwilling to consider this idea until they have achieved a £7 minimum.

The trouble with the present wage compromise is that it is concerned only with the minimum wage instead of with incentives for skill, and will almost certainly be inadequate to stop the drift of the most able and ambitious workers away from agriculture. But it will add about £15 million a year to farming costs, and thus entitle the National Farmers' Union to demand a special price review in January when the wages award comes up for final confirmation. Such a demand (if it is made) will be purely tactical, since farm price guarantees are due, in any case, for their annual review in February. But the wage award will obviously be indignantly cited as justification for the farmers' resistance to the Government's new-found determination to reduce the level of the agricultural subsidies. All in all, it would have been better to have taken—either this year or next—a proper bite at the farm wage problem, rather than a nibble of a sort that does little to help the workers while yet embarrassing the application of a sound Government policy.

Receiving the Jamaicans

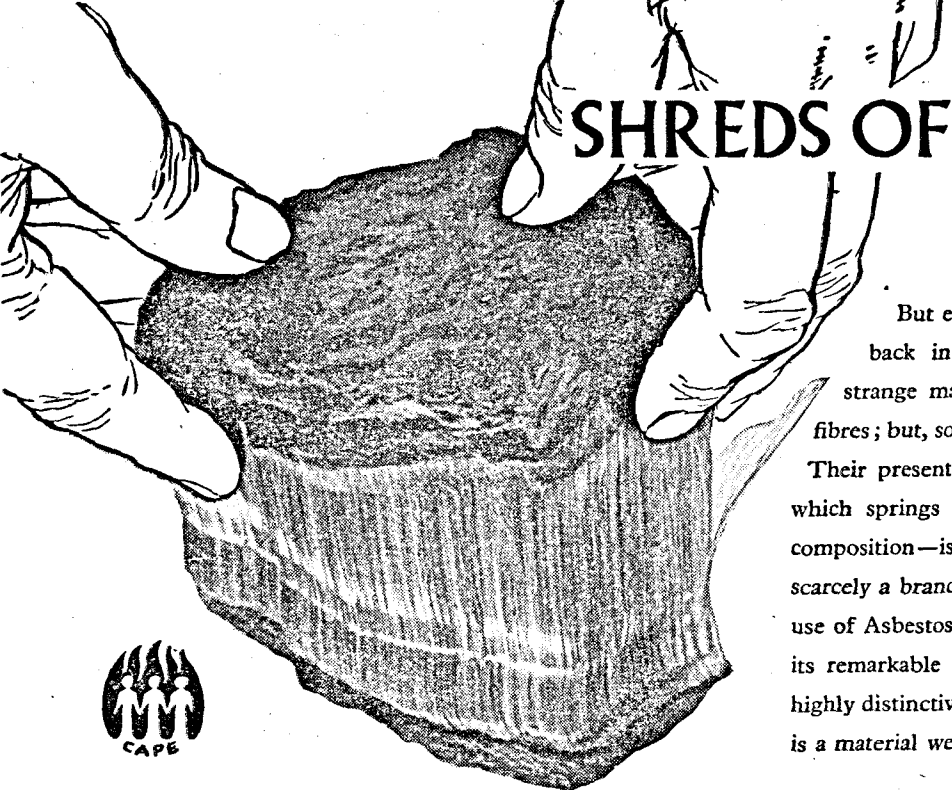
ONE of the first decisions made by Mr Norman Manley when he became chief minister of Jamaica was to have a report prepared on Jamaican migration to Britain; this report, written by Dr Clarence Senior and Mr Douglas Manley, has now been published. In many ways it is an unexpectedly cheering document. It records that a fair proportion of Jamaican migrants enjoy good personal relations with the British people, both at work and after it. Jamaicans find it easier to get accommodation, and are happier about the price they pay for it, than is often supposed. They are, apparently, beginning to realise that many things which they first put down to colour discrimi-

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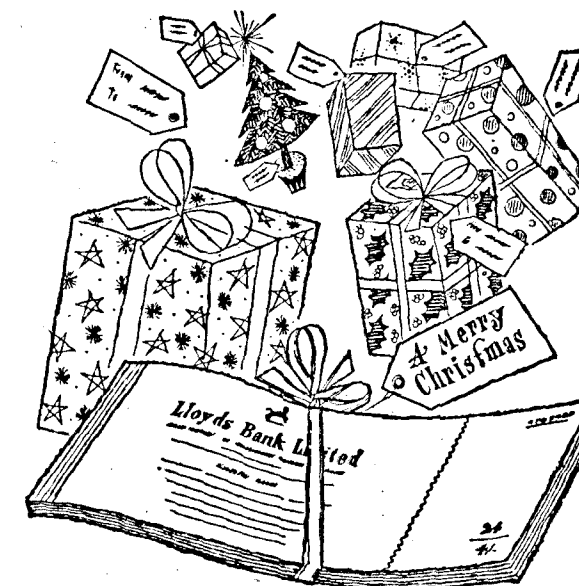


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nation are nothing of the sort—for example, differences in the meaning of the word “skilled work” in Britain and Jamaica. Some of them realise that they must expect the British attitude to coloured fellow citizens to vary from person to person.

It is very clear from the report, however, that a good business is being made out of migration by shipping companies: some of the advertisements about prospects and conditions in Britain that are now appearing in the Jamaican press may be as misleading as those that often appeared in the British press in the nineteenth century about the dominions. Jamaicans who settle down here write home and, out of sheer vanity, say that they are earning more than they really are. This leads to disappointment, maladjustment and social evils, and Dr Senior and Mr Manley make comprehensive proposals to improve the situation. Their suggestions for a much more effective information service for intending migrants in Jamaica—one that would reach into rural districts—are welcome. They also propose a new West Indian welfare office in Britain. Its job would be to meet migrants on arrival and help find them accommodation; to give advice on British social welfare facilities; to supplement the work of employment exchanges; and to develop social contacts between the newcomers and residents.

It is certainly right that if Jamaicans migrate with their eyes open to realities, they should be given every help on arrival and thereafter. But the fact must be faced that these elaborate official arrangements imply that West Indian migration is becoming as permanent a feature of the British labour situation as Irish immigration has always been. It is doubtful if the British people have yet fully appreciated the changed social and psychological attitudes which this new source of labour, and of production, imposes on them.

Postage on Books

THE campaign being waged by authors, publishers, book societies and librarians against the new postal charges for books is reminiscent of their campaign in 1940 against subjecting books to purchase tax. Then the bookmen gained their point; today the Government seems determined to stand by its decision.

The new charges are certainly a steep increase on the old ones. On a book weighing a pound the postage will be 8½d., compared with 4½d. at present. In fact, although the postal rate for printed paper applies up to 2 lb, it will in future be ineffective on books weighing over 1½ lb because it will then have caught up the new parcel rate. On the other hand, the printed paper rate on books weighing less than 1½ lb will still be considerably less than the new ordinary letter rate, so it is not correct to say, as some of the bookmen have done, that books are no longer to be allowed favourable postal rates. The Government has considerably whittled away the subsidy that it now allows on books sent through the post. But it has not abolished it altogether.

Should the subsidy have been cut at all? There is no doubt that the big increase in postage may seriously affect the finances of libraries and learned societies, many of which

work to a very small budget. But the Post Office can hardly distinguish between books sent for genuinely educational purposes and books that are of as much use to the mind as a box of chocolates to the body. There is a much stronger case for arguing that the Government should not have discriminated in favour of newspapers, although naturally not many of us newspapers are arguing it (There is also a case for putting up the rate on all printed matter weighing less than 2 oz, even although the football pool coupons—which would be caught by this—already yield the Post Office a profit.) Newspapers are to be exempt from any increase for the very dubious reason—to quote Mr Gammans—that “it has always been the attitude of the House [of Commons] that people, especially those living in remote country districts, should get their newspapers as cheaply as possible.” Once discrimination of this sort is exercised, the Government's resistance to pressure from other bodies that can plead a case is weakened. If the £1.7 million to be obtained from the new printed paper rate had been spread over all printed matter, the increase need not have been so steep for books or for journals that are outside the Post Office's definition of a newspaper.

German Civilians Hold the Reins

THE investigating committee which was set up to screen all the higher ranks of the future West German Army is taking its work commendably seriously. It has rejected the application for commissions of four colonels who were already working in the office of the Minister of Defence, Herr Blank. Naturally enough, the minister's prestige is affected, and he has sprung to the defence of the four colonels. He is already out of favour in Germany for various reasons, one being his reluctance to hand over the personal dossiers concerning his staff to the committee. It is being argued that the committee should be induced to change its methods, to allow unsuccessful applicants and the Ministry of Defence to know the reason for the rejection of applicants, and perhaps to allow them to be re-examined by a “higher court” consisting of some of the members of the committee itself. The committee, however, does not want to make changes, and as it has been appointed by parliament it cannot be forced to do so.

German press opinion has on the whole rallied to the defence of the committee against Herr Blank, though it is suggested in some quarters that the committee might develop into a “Star Chamber” if its secrecy remains absolute. It is significant of the mood of the Germans that the former General von Manteuffel, a member of the Bundestag Security Committee, has been publicly supporting the civilian investigators' decision over the four colonels, as a matter of principle. His standpoint is that an officer who was good at paper work may not be the type wanted to train the new cadres of a democratic force. Only the best will be good enough for this work, and the basis must be firm, even though a long time may well be needed to establish it. There are few outside Germany, and perhaps Nato, who will not heartily approve this view. Even if the Germans are somewhat overdoing their zeal for civilian investigations, it is a fault in the right direction.

Italy's New Radicals

THE non-Communist Italian political parties are either so large and amorphous that they find it hard to agree on constructive policies, or so small as to be largely ineffective; and while the Christian Democrats stick together because it is so plain that in numbers lies safety and power, the smaller parties have no such restraint on their fissiparous tendencies. One exercise in fission, which will have surprised no one, was carried out by the Liberals last week.

At the party's national congress, over thirty members resigned and later announced the formation of a new Radical party. They acted in protest against what they believe to be the tendency of the Liberals, under the guidance of their energetic secretary-general, Signor Malagodi, to become increasingly conservative and subordinate to big business. Signor Malagodi, however, is the last person to be dismayed. The position of the Liberal party in the coalition government is not affected, since at present the dissidents appear to command negligible support among its fourteen deputies in the Chamber and none of its three cabinet ministers has gone over to them. Moreover, by sloughing off his highly critical left wing Signor Malagodi is much better placed to make his party the nucleus of a strong right-wing group which might win support among the divided and bickering Monarchists.

There is, in Italy, a body of intelligent, lay, progressive and moderate opinion which remains in the political wilderness because it disapproves of the record of the Christian Democrats, but finds the Liberals too conservative and the Saragat Socialists too ineffective. The new Radical party, with its emphasis on liberal principles, and, in the economic sphere, its opposition to monopolies and advocacy of tax reform, could well provide them with a political home. It enjoys, moreover, able and distinguished leadership; its founder members include Count Carandini, the first Italian ambassador in London after the war, Signor Villabruna, a former minister in the Scelba government, and Signor Pannunzio, the editor of the progressive weekly, *Il Mondo*. If it manages to become a real vote-catching political force, it may provide the nucleus for the moderate lay opposition to the Christian Democrats which Italian democracy badly needs.

New Start in The Hague

IN The Hague last week ministerial representatives of the Dutch and Indonesian governments began discussions. It is a tribute to the good sense of both sides that the talks have been possible at all, for not long ago relations between the two countries were strained almost to breaking point. But since the new government under Dr Harahap took over in Jakarta last August both parties have sought to find a way towards a friendly solution of their differences.

The chief of these concerns the future status of West New Guinea. No solution, however, of this vexed problem is expected at the present conference, as both sides have firmly reserved their standpoints on sovereignty. But there

are a number of other questions which the ministers can usefully tackle. On the agenda is an Indonesian request for a new agreement to replace the economic and financial arrangements made in August, 1954. The Indonesians would like a revision of some of the privileges and guarantees granted to Dutch business interests. In view of Dr Harahap's enlightened attitude towards foreign investment—a new charter for which is being drawn up—it should be possible to meet their request. No doubt the opportunity will be taken to review the whole field of economic cooperation between the Dutch guilder and the Indonesian rupiah. And there are other practical issues; the Dutch, for instance, might justifiably seek assurances about the conduct of the long drawn out trials in Jakarta of Dutch nationals accused of subversion.

The main aim of the present talks, however, is generally to re-establish mutual trust. But there will have to be a spirit of compromise on both sides. The Dutch would do themselves no harm by showing themselves at least willing to talk about the future of West New Guinea; they would not thereby be finally committed. The Indonesians, for their part, now that they have come to realise the advantages of quiet negotiation, would do well to ignore the gallery for once. It is a good augury that at the United Nations Assembly this week a way was found of discreetly dropping the subject for another year.

A Slum of One's Own

MR SANDYS is to introduce a Slum Clearance Compensation Bill which will adjust the compensation payable by local authorities for the acquisition of unfit dwellings. The Minister is keeping to the present principle that compensation in such cases can reasonably be limited to the site value, plus payment for good maintenance where appropriate. But he has decided to give relief to two groups of people: to those owner-occupiers now living in unfit houses who have bought them since 1939, and to the owners and tenants of small shops and businesses whose premises have been declared unfit. These two groups will in future receive the same compensation as will be paid to anyone owning an ordinary fit property which is compulsorily acquired. The concession to postwar owner-occupiers is designed to meet the more patent cases of hardship: during and after the war many people bought (and have often improved) condemned properties for lack of any housing alternative, and they would incur heavy losses if the law were left unchanged.

At the same time the compensation payable on account of good maintenance will be increased to allow for the greatly increased cost of postwar repairs. This element of compensation is at present limited to a maximum of twice the annual rateable value of the property. The Minister estimates that his special concessions relating to postwar owner-occupiers and to small businesses will apply to only about 8 per cent of all unfit dwellings; the adjustments in compensation for maintenance will, of course, apply to all unfit dwellings. Consequently he does not expect the cost to the local authorities of clearing the slums to be greatly increased. The local authorities themselves are not so sanguine. But the Minister's adjustments—which, even

now, will not meet all cases of hardship—have been designed in the hope that they will enable slum clearance to go forward without the considerable hostility that would otherwise certainly have arisen. There seems to be a good case, both politically and economically, for this Bill.

No Easy Nostrum

THE Liberal Council has received, and accepted, the interim report of a committee which it set up to work out a scheme for spreading co-ownership in industry. For a long time the Liberals have toyed with the idea that in compulsory co-ownership there might be a distinctive Liberal solution to the problem of industrial relations: one that would be superior both to the Tory formula of freeing enterprise and to Labour's problem child of nationalisation. But this report is likely to disappoint the more crusading Liberal spirits. The committee has failed to produce a cut-and-dried scheme; it is divided on the question whether any schemes which could be produced should be made compulsory; and is unanimous only that no single uniform scheme would fit the protean variety of industrial and commercial enterprise. It was guided to the conclusions by a group of four eminent economists, who had previously been divided upon the subject, but who now felt that their views had come "very close together."

The economists drew attention to the sheer technical difficulties of uniformity. How could one deal with all the problems connected with the supply of new risk capital to firms that gave workpeople shares on favourable terms? How could one avoid a situation in which workers in heavily capitalised firms would gain more than those in firms largely using direct labour? The economists' general conclusion was that "tax inducements were felt by most to be a great improvement on compulsion."

The Liberals' committee has now been re-constituted as a standing committee, to keep the problem under continuing study. One principal piece of advice can be given to this committee. It will be making a great fool of itself if it tries to find a distinctive programme, designed to sweep the country, exorcise Karl Marx's ghost, and form the basis of legislation "when the party regains power" (which it never will). The Liberals' real job is to be undistinctive but realistic: to press the Government to improve fiscal and other inducements to set up experimental schemes, and to do some hard and impartial research on the effects of co-ownership and its variants upon labour relations. They have taken a step towards this proper role by their latest decisions, and by the questionnaires that they have sent out and are now studying.

Market Report on West Africa

A MARKET report is, or should be, a perfectly cold-blooded and professional investigation of risks and possibilities of profit. It should no more give offence than a doctor's diagnosis. It is liable to error in much the same way, and

it is always possible to call in a second opinion. Therefore there is no cause for perturbation about the report on a business visit to Nigeria and the Gold Coast by Sir Percival Griffiths and Mr Maurice J. Watt, undertaken at the request of the Federation of British Industries. The report advises caution about heavy investments in Nigeria, and to some extent in the Gold Coast, until the political outlook has clarified. Perhaps the report might have been issued as a confidential document so as not to wound African susceptibilities; but apart from this advice it is, after all, a very fair and practical, if very general, analysis of trade prospects in both countries, and it goes out of its way to emphasise both the good will shown towards British people in both countries and the defects in British trading and banking methods.

The Gold Coast is on the verge of independence, and Nigeria faces big constitutional changes and a possible loosening of federal ties; it is natural for businessmen to be cautious in their appraisal at such a time. Nobody can dissent from the report's observation that rapid Africanisation of the civil service will probably lead to less efficient administration; it specifically says that the deterioration will be tolerable locally and will not make trade or business impossible.

It is, of course, arguable that as these countries approach independence Britain should show confidence in them, and strengthen ties with them by investment wherever possible. But this is an argument from policy, not business. The old saying that there is nothing so shy as a million dollars always

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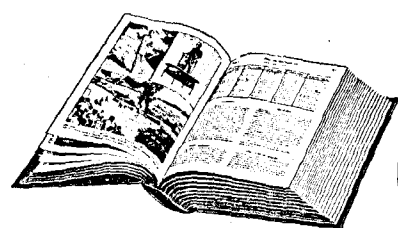


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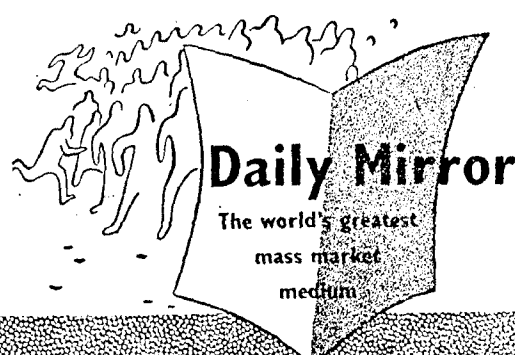
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carries the rider "unless it is taxpayers' money." The Volta scheme may come into this category. But if an industrial organisation asks for a report on any country, with an appraisal of the possible political influences on business, it is entitled to have it; and it is for its members, not outside commentators, to judge whether they consider a seven-week tour adequate to the market researchers' purpose. Most would-be investors, in any case, will make a far more detailed survey into the prospects of any particular scheme.

A Railway Reorganisation

THE experiment in devolution undertaken by the Eastern Region of British Railways will attract sympathetic attention. The area board intends by this scheme to secure a major devolution of authority and responsibility throughout the traffic departments of the Eastern Region, and to bring closer together the operating and commercial aspects of railway business. Past experience of British Railways suggests that these principles should have much merit. They involve the merging at headquarters of the separate responsibilities for commercial management and railway operation under an assistant general manager (traffic) and the controlling of the district responsibilities of the operating, motive power and commercial departments by a traffic manager for "each convenient line or area."

This move towards greater local authority and initiative, it is expected, should promote more flexibility and individuality in the service, a new responsiveness to local needs, and clearer desks for the headquarters management. The outcome will depend upon men, and on the way they react to changes in old ways of working and to new opportunities and responsibility. These changes have not been devised for general application to all regions; but the lessons that they teach will certainly need to be studied in all regions.

Flat Broke?

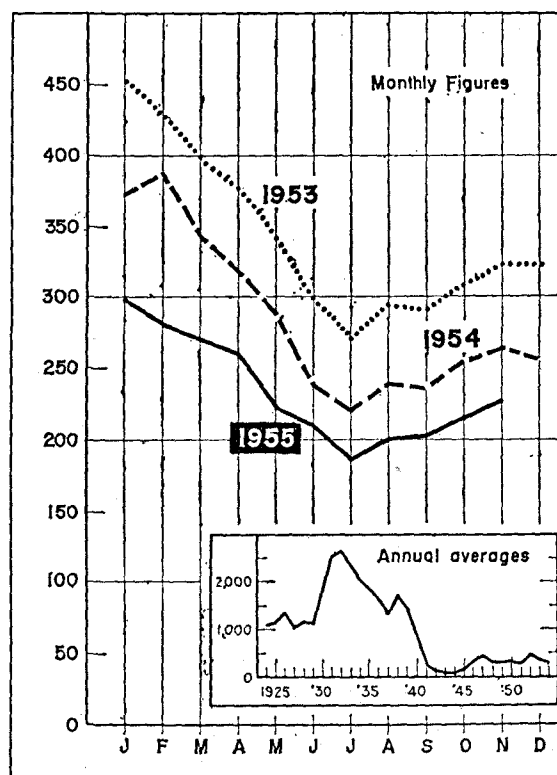
THE horse racing industry in Britain last week received a clear warning that it will need to put its stable in order, and then a windfall that—if wisely used—could help it to do so. The central feature of the Duke of Norfolk's report to the Jockey Club was that racecourse profits have fallen from 7 per cent (on an approximate capital investment of £5½ million) in 1952 to 5 per cent in 1954. He also said that attendances fell up to 1953, and that the decline then stopped only because people have been moving into the cheaper enclosures. This last point should be a hint to the Jockey Club about the way in which its economic thought ought to be moving.

To this dose of ducal pessimism there has come an unexpected antidote. The Special Commissioners of Inland Revenue have allowed an appeal from the Racecourse Betting Control Board against the taxation of its surplus. The control board is a non profit making body, which runs

the racecourse totalisators. It exacts a small levy; and from this, after meeting its expenses, it makes grants for such purposes as improving racecourses and subsidising the transport of the horses. If the new ruling is upheld—it is still subject to challenge—racing will get a useful blood transfusion of another £500,000 a year or so, plus a possible backlog of over £1 million.

But the windfall will become a menace if the rulers of racing expect it to answer all their problems. The real trouble with the sport today is that some owners feel—in the words of one eminent racing peer—that they should avoid "changing much of the character of English racing." For many racegoers the character of English racing today is represented by absurdly high prices for miserable amenities. Racecourses in this country are geared too much to the professional betting element. Few family men would care to take their wives, let alone their children, for an afternoon in a small, expensive enclosure dominated by howling dervishes, the bookmakers. There is no doubt that some people now in racing are on the verge of being squeezed out of it. Trainers cannot make ends meet except by successful betting; and owners can expect enough prize money to cover only a third of their costs. Racing needs to lay hands on some of the vast sums betted off the course, and this needs a change in the betting laws. When the Jockey Club sends a memorandum to the Chancellor in the New Year, it will no doubt make this point, together with its perennial appeal for another cut in the entertainment duty. The Chancellor can fairly retort that the racing authorities themselves can do more to solve their own problems in the proper economic way—by trying to attract more customers.

UNEMPLOYMENT IN GREAT BRITAIN (THOUSANDS)



Letters to the Editor

The Rolls Royce Strike

SIR—I would like to correct one sentence in the article in your issue dated December 10th. You said: "The Employers' Federation, standing by what Rolls Royce—perhaps unwisely—regards as a principle, has . . . refused to negotiate with any of these people while the men are still on strike." The facts are rather different. There is, as you know, a mutually agreed procedure for dealing with all questions arising within the works of federated firms; the operative clause of that agreement—which is the accepted basis of industrial relations in the engineering industry—reads "until the procedure provided above has been carried through, there shall be no stoppage of work either of a partial or a general character."

There is an undisputed obligation upon the workers, and particularly on the shop stewards, to honour that agreement, which was signed on their behalf by the executives of their unions. In this case they ignored the agreement and, instead of going through the procedure, they went on strike; this is done usually when the shop stewards have so little confidence in the justice of their claim that they are afraid to submit it to fair investigation, and think there is perhaps a chance of getting something by intimidation. They know that by going on strike they automatically stop all negotiations under procedure.

The principle that the Scottish Engineering Employers' Association, the Employers' Federation, and Rolls Royce—not "perhaps unwisely"—have been upholding is that agreements must be honoured by both sides. If agreements are to be dishonoured when it happens to suit one party to do so, it is no use signing agreements. We guarantee agreements by our members and there is a precisely similar obligation on the unions to do likewise with their members, but in this case they had actually been supporting them in their breach. It has to be brought home to a certain section of the shop stewards and workers that the sanctity of agreements in Britain is something which must be realised and maintained, not least in the interests of the workers.

I should also like to comment on your statement that "he [Mr Wilson] has not appeared to those who have interviewed him to be the expected firebrand, spitting out venom. . . ." It would be most unfortunate if we allowed ourselves to be lulled into a false sense of security by the new and more subtle technique of the Communists. Many of the most active Communists in Scotland now adopt what appears to be a sincere and

reasonable approach, in some instances backed by a pleasant personality. The psychology of their masters has improved.—Yours faithfully,

ERNEST FIELD
Scottish Engineering Employers'
Association, Glasgow

Cyprus Today

SIR—When the new Governor Sir John Harding arrived in Cyprus he invited the people to co-operate with the Government to restore peace and confidence. He has promised rewards ranging from £100 to £5,000 to those who would give useful information for the discovery of the terrorists. Why is it then that the people have not yet responded to these calls? The answer lies in the fact that all the Greek people of Cyprus believe that very soon the island will be united with Greece, and so long as they believe this they cannot and must not be expected to co-operate with the Government. The speeches made by Makarios, the broadcasts by the Athens radio and the statements of EOKA all emphasise that Enosis will be realised at a very early date and strengthen the belief of the people in this.

The majority of the crimes committed by EOKA today would never have been detected but for the Turkish Cypriots. There are also many Greek people who do not approve of terrorism, especially those whose business has been affected by it, but they are afraid to co-operate because they believe that Cyprus will soon be handed over to Greece and that they will then be branded as traitors and put into gaol.

Before peace and security can be restored the British Government must win back the confidence and respect of the people, by denying the statements of Makarios, Athens radio and EOKA, or by making it plain that Cyprus will develop into a self-governing territory within the British Commonwealth. The solution does not lie in a compromise with Makarios, but in stating British policy in definite terms.—Yours faithfully,

Nicosia

Chaos in the Making

SIR—I have read with mixed feelings your Note in your issue of December 10th. I grant that proper road planning could be secured here through the present machinery, but successive Governments have had thirty years to make up their collective minds. There being no indication of an appreciation

of the urgency of the problem, it is not surprising that possible alternatives are put forward. One of these has been road loans—with the natural corollary of a national authority to administer them. Leading in from there, why not a national authority with income assured against the vagaries of the annual Parliamentary vote?

When your describe as "starting up an old hare" the requests that have been made that a specific fair share of proceeds of national road taxes should be earmarked for roadbuilding, may I remind you that the "old hare" has obtained a new lease of life in many countries elsewhere within the last few years? Indeed, few other countries anywhere still consider that road user taxes should remain divorced from road expenditure. To give a few examples, governments of countries as far apart and of such diverse economic structures as New Zealand, Sweden, Western Germany and Japan have enacted within the last few years that road user taxes should be devoted entirely to road purposes. Other countries, including Brazil, Belgium, Denmark, France, India, Pakistan and the Union of South Africa have legislated for annual fixed percentages of road user taxes to be applied to roads. Government committees are also sitting in Holland and Switzerland to consider road finance methods which will ensure greater continuity than is provided under the present procedure of annual votes out of general revenue.

The British pattern for the provision of road finance that was formerly widely followed elsewhere has thus been outmoded. The new outlooks abroad are providing modern roads now, with benefits to local economies which (in some instances) work against our ability to sell abroad at competitive levels.—Yours faithfully,

C. D. MORGAN
British Road Federation, W.C.1

Unions Unfair to Women

SIR—In my travels since the war and from my knowledge of practice in American and European countries, including Russia, I am puzzled why the English craft unions maintain such a restrictive attitude towards the employment of women. As an example, it is unknown in England for a woman to be employed as a compositor in the printing industry, although it seems that keyboard manipulation is an activity for which, as many of them have proved, they are very well fitted. I am sure similar examples exist in many other industries. At a time when we are extremely short of labour, should not the unions consider it a national duty to bring themselves up to date and offer "equal opportunity for women" to enable us to build up the labour force we need to compete in world markets.—Yours faithfully,

D. K. WINSLOW, Editor.
The Caxton Magazine

Books & Publications

Mr Truman's Own Story

YEAR OF DECISIONS: *The Truman Memoirs, Volume I.*
By Harry S. Truman.
Hodder and Stoughton. 540 pages. 30s.

THIS full-dress account of the world-shaking events of Mr Truman's Administration, written while they are still fresh in his mind, is unique in the annals of the Presidency. Not since the early days of the Republic has a President set out to tell his full story, with documentation; few other Presidents have had such a story to tell. Mr Truman's own estimate of his years at the White House is implicit in the decision to devote the first of his two volumes to little more than the single year which followed his sudden elevation to the Presidency with the tragic death of Roosevelt. It was a year of enormous events: the end of the war in Europe; the first clashes with the Russians over postwar organisation; the end of Lend-Lease; and the decision to use the atomic bomb against Japan, a decision made, firmly and without regrets, by a man who six months earlier had not even known that the atomic bomb project existed.

It was also the year that shaped the new President. At the beginning he was asking hardened reporters to pray for him, for he felt "as though the sun, stars, and planets had fallen on me." At the end he is reading a stern and merited reprimand to the Secretary of State, Mr Byrnes, for not keeping him adequately informed, cheerfully accepting the resignation of the surprised Harold Ickes, and bluntly demanding that of Henry Wallace for insubordination over Russian policy.

The remarkable contrast between the inoffensive Throbbottom he appeared in 1944 and the President who knew his own mind is blurred, for British readers, by the omission of a chapter on Mr Truman's early years which appeared in the American edition. This is a pity for yet another reason. It would have provided a little relief and local colour in a volume that reads rather like an extended state paper. It is only in the "Dear Mama and Mary" letters, written to his mother and sister in Independence, that the private Truman peeps out.

But it is, of course, the public figure that is remarkable and significant, and not all the flat writing or disregard of the Washington political scene can conceal the industry and directness, the

devotion to simple concepts of world betterment and the courage that made Mr Truman, contrary to most expectations, a worthy successor to the great Roosevelt. Humble he might be, but he had a lively sense of the authority and responsibility of the Presidency and no reluctance to exercise it. Always willing to listen to advice, Mr Truman never seems to have failed to understand that the decisions must be his own, something his successor took longer to learn. He admits with engaging candour that he was given a sharp lesson himself when he signed the paper ending Lend-Lease without reading it. But to Mr Truman even a wrong decision is preferable to none at all. Nevertheless, it is hard to accept the impression that there were never other times when he was puzzled or at a loss on the world stage on to which he had been thrust with so little preparation.

Most of this volume deals with the frustration and disillusionment of the Americans and British at Russian hands. Almost from the first Mr Churchill was urging the American armies to press forward in order to meet the Russians as far to the east as possible; this remarkable example of foresight fell on deaf ears, for Mr Truman, General Eisenhower and the American Chiefs of Staff were unwilling to allow political aims to override military considerations. After Potsdam, however, Mr Truman made up his mind that the Russians should have no foothold in occupied Japan. Some of the most interesting, because less familiar, pages deal with the negotiations between China and Russia to carry out the pledges made at Yalta to induce the Soviets to enter the war against Japan; and the delicate problem Mr Truman faced when both the Chinese and the British demanded that the surrender of the Japanese should be received at Hongkong.

The early pages of the memoir give some idea of the cruel and relentless burdens of the Presidency. But in time Mr Truman learned to carry them lightly, and in the midst of harrowing international problems and vast reconversion adjustments at home, he began to plan to carry forward the New Deal, much to the surprise of those who had assumed that that "Roosevelt nonsense" could be forgotten. There were many more surprises in store from the man from Missouri, who is a prime example of the way the Presidency can bring out all that is great in its incumbent.

Flying Visit

INCOME REVISITED.

By A. C. Pigou.
Macmillan. 93 pages. 6s.

IN the preface to this little book Professor Pigou tells, with admirable candour, a story about "Income: An Introduction to Economics," his earlier and much-appreciated venture into exposition for the layman. It was based on a short course of lectures for engineering students at Cambridge; the first of these lectures was delivered to an audience of two hundred, the last to one of five. One can see why. Professor Pigou's idea of elementary statement is, literally, a statement of elements; of the triple-distilled essence of economic thought, a treatise's worth to each paragraph. He is not obscure. On the contrary, he is exquisitely and radiantly clear. But the ordinary human mind, like the human digestive system, is apt to be unhappy without a little roughage. The reader, even the previously quite uninformed reader, taking in this pellucid mental nourishment at his own pace, can supplement it with parallel reading and with reflection on specific instances, history, current events, popular errors and the like. The lecturer, forced to absorb it neat, gives up in despair.

"Income Revisited" opens with a chapter (of just over two pages) on economic theory and political institutions, and deals successively with money,

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consumer behaviour, capital accumulation, social and private welfare, wages, monopoly, and "fair shares." There is little attempt either to link these topics or to make each a rounded whole. Nor is the standard of difficulty the same; the chapter on wages, "The Share of Labour," is, for instance, far stiffer than that on money; that on "Fair Shares for All" is much more a brief ethico-political confession of faith than a piece of economic reasoning. The reader, moreover, is given virtually no help in relating what he learns here to what he may read on similar topics elsewhere or to such topics as are left untreated; public finance, for instance, or international trade, or the return to other factors of production than labour.

Altogether, "Income Revisited" cannot be hailed as a satisfactory book. It represents rather a succession of droppings-in on its subject than the consecutive return visit suggested by its title. But it is stimulating, it is distinguished, it is unerringly concerned with the heart of the matter; and the workmanship of its component parts is a delight. Satisfactory or not as a book, it offers what many "better" books cannot supply: contact with an absolutely first-rate mind.

German Armour-War

PANZER BATTLES: 1939-45.
By F. W. von Mellenthim.
Cassell. 390 pages. 36s.

THIS English translation of a book written by a former German major-general is undoubtedly one of the most readable and interesting as well as one of the most useful of all those coming from high-ranking military commanders on both sides after the last war. The author gives a remarkably lucid and brilliant account of the fighting and in particular of the use of armour, which he saw in Poland, France, the Balkans, the Western Desert, Russia, and again in the West.

The book is often depressing to read, when, for instance, the author describes how totally inadequate were the defences of the Siegfried Line in 1939; it could have been breached without the slightest difficulty by the French army when Hitler hurled the whole might of the Wehrmacht and Luftwaffe against the much weaker and badly equipped Polish army. Again, when he describes how the Maginot Line was "breached in a few hours by a normal infantry attack," or, when dealing with the *Blitzkrieg* in the West in 1940, he points out that the German army was much inferior by comparison with the Allied forces, not only in numbers of divisions, but also in tanks. General von Mellenthim writes that "the Allied leaders, and in particular the French, thought in terms of linear warfare of the first world war." Yet he admits that "the German army derived its concepts of armoured warfare from the British military writers, Liddell Hart and Fuller."

Of particular interest are the chapters

covering the campaign in the Western Desert: here, again, it is depressing to read that, in 1942, the British army had a great superiority over the Germans, not only in numbers, but also in artillery and especially in armoured vehicles. Undoubtedly Rommel emerges from this book as one of the most brilliant tank commanders; but at the same time the author pays high tribute to the leadership and fighting qualities of the British soldier and in particular to the British artillery. The chapters dealing with the campaign in Russia deserve careful study, because, apart from their historical interest, they reveal the fundamental qualities of the Russian soldier as well as the strength and weakness of his military machine. The author gives an impartial and profound analysis of the use of German armour and of Russian tactics. His conclusion is worth noting:

Today any realistic plan for European defence must visualise that the air fleets and tank armies of the Soviet Union will throw themselves upon us with a velocity and fury far eclipsing any *Blitzkrieg* in the second world war. So, too, is his view that "No air force, however powerful, will be able to stop the Russian masses. The Western world's most crying need is for infantry ready to do or die. . . ."

Selene

THE MOON.
By H. P. Wilkins and Patrick Moore.
Faber. 388 pages. 63s.

IT is not often that one can spot a new work which will prove a classic. This is it. One of its authors, Mr Moore, who is secretary of the lunar section of the British Astronomical Association, has already given us a "Guide to the Moon" (published by Eyre and Spottiswoode) suited to amateurs. This new big work, in collaboration with Dr Wilkins, who is Director of the lunar section of the association, contains the Wilkins 300-inch map of the moon—or rather, since the moon turns round the earth and on its axis at a rate nearly that required to keep the same face of the moon always turned towards us, a map of about three-fifths of the moon. The other two-fifths is for ever unknown and unseen of mortals, and will be so until they see the other side from some space-ship.

The bulk of the book is devoted to this map, in photo-strips and drawings made from all available sources. The names given to features on the moon—many of them as queer as the now-debated Arabic names of the stars—are then set out as indices following each section of the map, and extremely full definitions and explanations are given under each entry, including opposing views or explanations, together with clear expressions of the authors' conclusions. Many of these names now replace older ones, in which case both are given. The plates are remarkable, so are the drawings: views of lunar alps at sunrise and sunset are commonplace. Few people realise how many amateur

observers all over the earth retreat after dark into their gardens or on to roofs (if buildings are solid enough to prevent vibration) and, with anything from 4 in. refractors to big home-built reflectors, sketch away on paper lighted by a hooded lamp. In this way, as well as with "all modern conveniences," Dr Wilkins has built up the incredible detail of his huge lunar map. Thus on page 324 the section shows the lunar plain containing Janssen, mountain-ringed and packed with craters, with some fine clefts, whereof (and it is a good example) the authors say:

On the south, and close to the limb [edge], is Demonax, almost entirely explored within the last few years. Near it is Bousingault, the best example of a great ring, within which is another, within which in its turn, is yet a third ring. We have a fine specimen of a double ring in Steinheil and Watt, while the greatest valley on the lunar surface, that associated with Rheita, lies within this section.

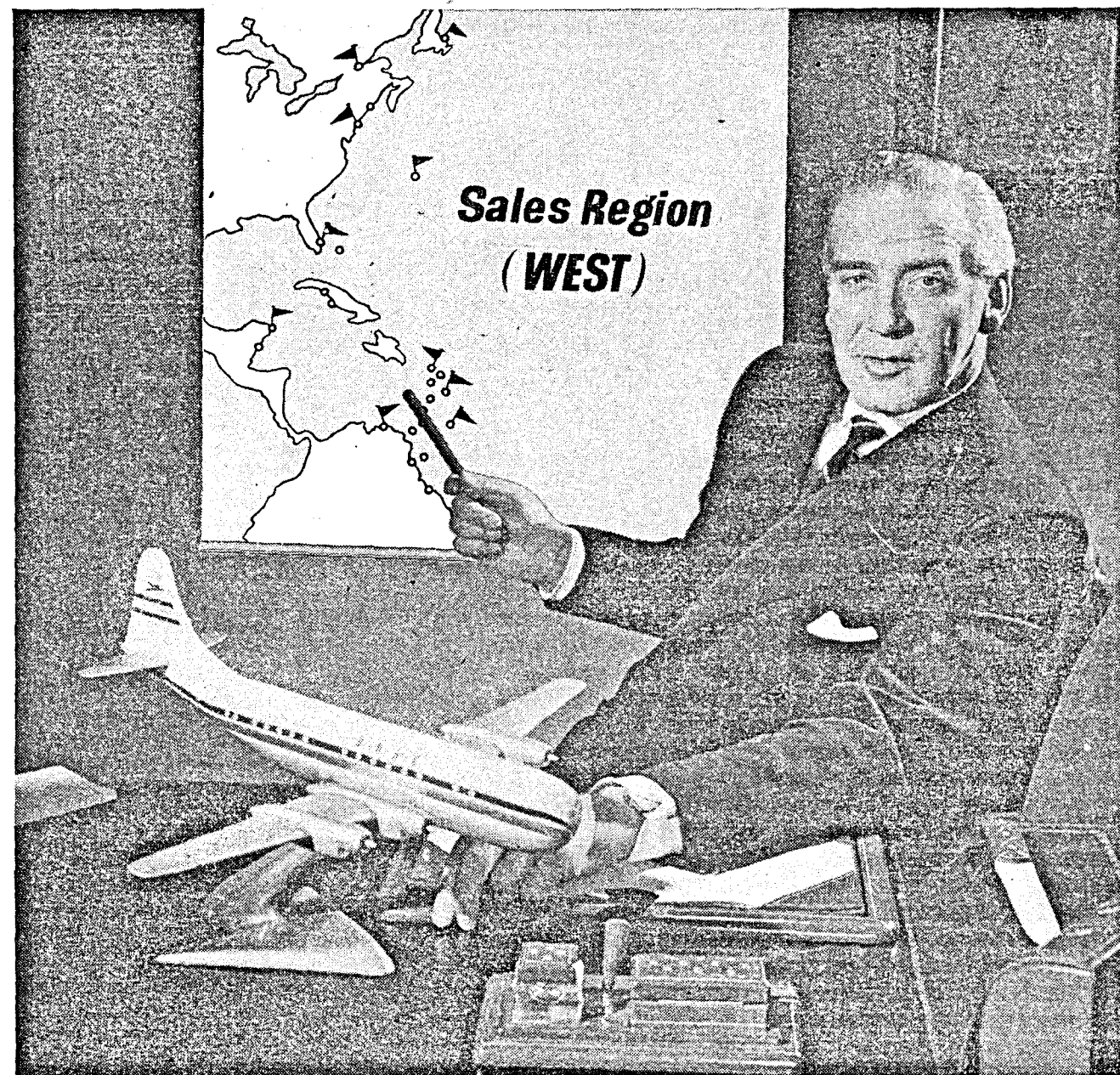
Apart from architectural notes like "the church is worth a visit," it might be an extract from one of the newer British county guides under the careful eyes of a Pevsner. There are many appendices: on lunar photography, lunar maps, lunar observers, measurement of lunar altitudes, and—quite charming—on earthly myths and superstitions about Selene and her influence. But one cannot forbear to admonish these brilliant and unearthly luminaries (and their publishers) for slipshod English in a lovely book: in the new editions it deserves, they should do away with "different to" (page 39), "Meteors can, and have, produced" (page 40), "as dense, if not more so, than" (page 42), and others. *Mais où sont les proof-readers d'antan?*

Australia's Phoney War

WAR ECONOMY, 1939-1942: Series 4, Vol. III of Australia in the War of 1939-1945).
By S. J. Butlin.
Australian War Memorial, Canberra.
Angus and Robertson, London. 516 pages. 25s.

AUSTRALIA produced a first-class history of the 1914-18 war, and is evidently determined to produce one bigger, if not better, for the war of 1939-45. Whereas the earlier history devoted only one volume to developments in Australia itself, the history now being written devotes five volumes to "civil" history. The volume under review is the first of two on economic policy. Like the first volume of the two being written on political developments (by Paul Hasluck), which was the first of the "civil" series to appear, it ends with Pearl Harbour.

Mr Butlin is Professor of Economics at the University of Sydney. He spent the war partly as an academic economist and partly as an official of a government department. He is already known as a painstaking historian of early aspects of the Australian monetary system; this book shows him to be a master of contemporary economic analysis.



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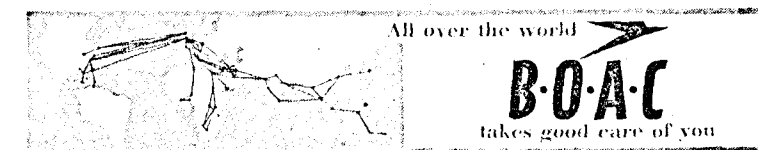
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American Survey

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

Long Look at the Farms

Washington, D.C.

AGRICULTURAL policy was the main item on the agenda of President Eisenhower's conferences with his legislative leaders at the beginning of this week. This Republican Administration has only one more session of Congress in which to prove that it is capable of putting American farming on a sound long-term footing. Moreover, this session will take place during an election year, when professional politicians of both parties will be clamouring for concessions with which to buy farmers' votes, both because the farmer is the most loudly discontented member of an otherwise prosperous community, and because he has acquired the reputation, perhaps unfairly, of being more prepared than anyone else to sell his vote for favours. Opposition leaders, with an interest in embarrassing the party in power, are in control of the machinery of Congress; Republicans from farming areas will tend to exaggerate the headway being made there by Democrats in order to panic their own party into shortsighted and expensive policies.

Despite all this, there is a glimmer of hope that this Congress will not disgrace itself, and may indeed confound its detractors. With politicians absent from the capital the vacuum has been filled by a series of expert reports on American agriculture from such bodies as the Twentieth Century Fund, the Conference on Economic Progress and the National Planning Association. Although the recommendations vary, all the surveys make it easier to analyse the real farm problem. At the same time reports received from the Senate Agriculture Committee, which has been travelling round the country to hold hearings at the "grassroots," strongly suggest that the Senators have been put into a highly pragmatic frame of mind by the great variety of circumstances and suggestions they are encountering. With all due allowances for scepticism, it is still quite possible that this more constructive attitude may survive their return to Washington.

The farmers' case—which is that, although their contributions to national production compare well with those of industry, they do not get a fair share of the rewards—can be backed up by two figures. Compared with the average of 1947-49, the prices they receive this year are down by 7 per cent, while the prices they pay for supplies, loans and labour are up by 12 per cent. Net income to the farm population as a whole from strictly agricultural activities has dropped from \$11.7 billion a year in 1947-49 to \$9.9 billion last year. But these figures need three

qualifications: the farm population is falling every year, the number of people on farms who get some income from other sources is rising, and there is such great variety in the scale of farming in America that total figures are misleading.

Last year there were 4.8 million American farms, a substantial drop from the 5.3 million counted in 1949, and they fall into four broad economic groups. There are 100,000 large, prosperous "factories in the field," with their minutely integrated production supervised by owners and managers in Cadillacs or light aircraft. These supply 26 per cent of total farm sales and their income is subsidised, like everybody else's, by the present price support system. A Mississippi cotton farm, for instance, last year put over a million dollars' worth of crops under government "loan," which is a euphemism for government purchase at an artificially high price. At the bottom of the scale there are two groups: some 1.7 million farms which are little more than residences or part-time hobbies and contribute little to the market, and over 1 million pathetically small and poverty-stricken farms, mainly in the south, which account for 8 per cent of agricultural output. These are not much helped by the price support system, except in so far as uneconomic little cotton farms are kept in bare existence by it.

When the politician says that the "family type farm" is an essential part of the American "way of life," he is speaking, or ought to be speaking, only of the remaining group, of rather over 2 million farms, which supplies 60 per cent of total agricultural output. Although income statistics are very inadequate, the Conference on Economic Progress makes a rough guess that the average income of families in this group from all sources is now about \$4,000 a year. This is, again very roughly, an income of the same order as that of the average industrial worker's family. This is not black poverty but, on the other hand, most farms of this type are now highly capitalised; it is fair to say that, except in wartime, these farmers do not get much of a return on their investments.

The great merit of the expert studies is that they divide the situation up into its constituent problems. The one million able-bodied farmers under 65, with family incomes of less than \$1,000 a year, obviously present a major social challenge which cannot possibly be met as a by-product of

general agricultural policy. Eighty per cent are poor whites and Negroes in the south; there are large poverty-stricken areas, especially in the southern Appalachian Mountains, where the conditions of life bear little or no resemblance to those normally associated with the United States. In many of these areas, the land is unsuitable for modern farm machinery. Either industry must be brought in or the people must be persuaded to migrate to the centres of industry. Unfortunately this is a long term approach. In the short run the heartrending cries of small cotton farmers who have had their plantings compulsorily reduced from, perhaps, twelve acres to seven because America is losing its export market provide a strong motive for Southerners in Congress to line up support from other geographical sections behind a policy of dumping cotton abroad.

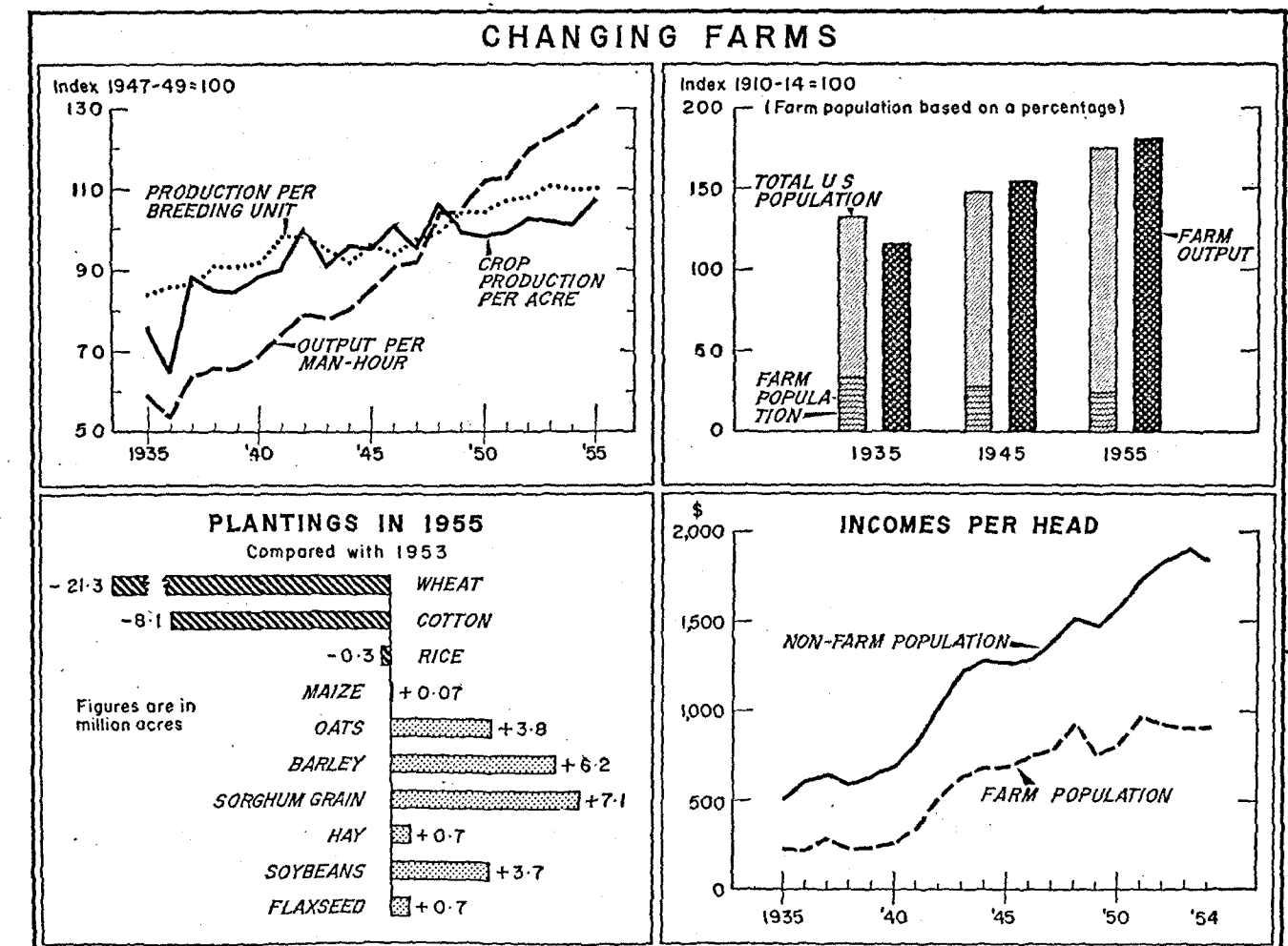
The real agricultural problem is that of strengthening the true family farmer—America's backbone as he is often called. The grave defects of the present system of government loans are now more generally understood. It is not simply a question of the surpluses that have been built up but of a system which is altogether too indiscriminating. It encourages maximum production on the limited acres that may still be planted to the basic crops, especially wheat and cotton, without sufficient care for quality or for the state of the soil.

The various suggestions made by the experts all involve two features. One or other of the possible schemes for a "soil bank," which would make it worth the farmer's while to turn part of his land over to soil-building crops,

should be tried; perhaps the government should even lease acres from the farmer in order to keep them out of production for a while. Secondly, long-run plans should take account of the fact that, as the population rises and living standards rise with it, there will be a greater proportionate demand for animal products and less for cereals. Other ideas that have been put forward either tinker with the defects of the price support system or recommend that it should be scrapped in favour of direct subsidies.

The Secretary of Agriculture's National Advisory Commission and the American Farm Bureau Federation, the largest organisation of farmers, both of which met this week, spurned direct payments, stuck to the flexible price supports introduced by the present Administration, and endorsed the principle of the "soil bank." This is now included in the government programme, to be put before Congress early next year; other proposals in it are that controls should be eased on maize and wheat when used to feed livestock, and that an upper limit should be fixed on the amount paid to each farmer under price supporting operations.

But all long-term agricultural planning by the experts is over-hung, just as are all current attempts by the politicians to produce a satisfactory compromise, by the huge surpluses already in existence. The most difficult agricultural pressure to resist during the next session of Congress may be the demands from many different quarters that the situation be relieved by the kind of give-aways to other countries which keep the State Department awake at night for fear of reactions abroad.



Mr Dulles on the Spot

AFTER conferring with President Eisenhower and leading members of his Administration about the legislative programme that will be submitted to Congress in January, Democratic leaders agreed that in matters of defence and foreign policy bipartisan support continued to be the order of the day. It will, however, be a surprising instance of political self-denial if this agreement is carried out, for not only is there an election year in the offing but, through a combination of circumstances and blunders, the Administration's foreign policy is at present highly vulnerable.

In the Far East Russian propaganda and the antics of its leaders have been aided by Mr Dulles's ill-timed reference to the "Portuguese province" of Goa and by the suicidal obstinacy of America's especial ward, General Chiang Kai-shek. Despite personal appeals from President Eisenhower, Formosa chose to veto the admission of Outer Mongolia to the United Nations and thereby destroyed, temporarily, a "package deal" to admit a group of nations, many of them allies of the United States. Mr Dulles and Mr Lodge were left holding an empty bag. In the Middle East, Soviet blandishments have stolen a march on American diplomacy and the tense Israel-Arab situation threatens to complicate the cold war. In Europe, Soviet intransigence at Geneva has underlined once more the bitter truth that Germany cannot be reunited without Russian consent, however hard Mr Dulles may try. But above all, American diplomacy throughout the world seems to many observers to have lost much of its elasticity and impetus and Russia appears to be setting the pace.

In an able speech before the Illinois Manufacturers' Association, Mr Dulles conceded that the cold war had entered "a new phase" but added: "We need not become panicky because Soviet communism now disports itself in this new garb." He assured his listeners that the Administration would not reduce America's armed striking power nor its foreign aid programme and said that the latter would be handled with "somewhat more flexibility than heretofore." This assurance, combined with reports that the President would ask Congress to appropriate as much money as last year for foreign aid, appears to mark a compromise solution between those who favoured a curtailment of foreign aid and those who were pressing for greater expenditure and bolder conceptions. No doubt Mr Dulles has sound reasons for marking time, but it is not an attitude calculated to capture anyone's imagination or to evoke the loyalty of those Democrats who are already campaigning for the White House.

Knowland Rushes In

SENATOR KNOWLAND has rushed in, or has at least appeared on the threshold, where other Republicans fear to tread. He has failed to deny a newspaper report that he will announce his candidacy for the Republican presidential nomination at the beginning of February, if President Eisenhower has not before then declared his own intention of

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standing again. If he does, Mr Knowland insists that he will give his complete support to the President's election campaign, although this seems a little surprising in view of the Senator's recent criticism of the Administration's foreign and fiscal policies. It is his position as the heir of Senator Taft's conservative outlook which makes Mr Knowland more ready than is the party organisation to press the President for a decision. For Mr Knowland knows that the longer this decision is delayed, the more certain it is that, if Mr Eisenhower does not run, the Republican National Committee, if not the President himself, will choose the party's nominee. Even if the committee's sympathies did not, as they do today, follow the middle road mapped out by Mr Eisenhower, the members are well aware that only that road can lead to victory; there is therefore little chance that they would choose Mr Knowland.

The Senator argues, and there are many Republicans who will admit in private that his argument is sound, that it is unfair and undemocratic not to give the rank and file of the party an opportunity of showing what they think about potential candidates—and the candidates an opportunity of building up support among the rank and file. It is here that February 1st becomes an important date. For during that month begin several of the primary election campaigns, where such opportunities are provided; in these elections the voters in certain states—New Hampshire is the first, on March 13th—choose between at least some of the contenders for their party's presidential nomination. There is nothing to prevent others besides Mr Knowland from entering primaries, even if Mr Eisenhower has not announced his intentions by then. But until he has definitely said that he will not run again, these elections, which are in effect popularity contests, will be so overhung by the Republican voters' worship of the President that they will provide little guidance for the nominating conventions. This week's rather disturbing medical report strengthens Mr Knowland's argument, for it makes it even harder than it was for Republicans to convince themselves that the President will indeed be a candidate in 1956.

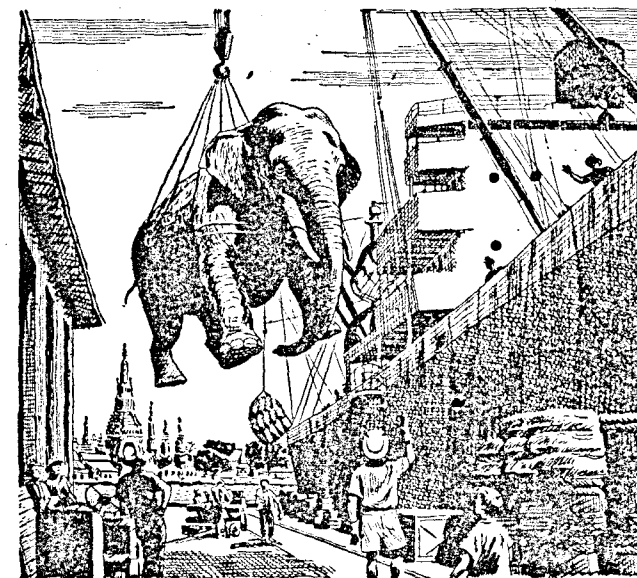
No Milktoast Movement

IN the words of its first president, Mr George Meany, the newly established American Federation of Labour and Congress of Industrial Organisations "is not going to be any milktoast movement." It already numbers 15 million workers and concluded its first convention by resolving to recruit 15 million more, particularly from the chemical, textile and construction industries. The AFL-CIO also showed a surprising ability to silence opposition within its own ranks and, as the closing gavel fell, it did look as if the new giant had come to stay on the American political and economic scene.

An impressive list of politicians from both parties paid their wary respects to the convention. None was more enthusiastically received than Mr Adlai Stevenson, especially when he attacked the "right-to-work" laws now enforced in nearly twenty states. These laws make illegal any contract which compels an employee to become a member of a trade union. The unions have long opposed these laws, on which the Administration has not taken a

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united stand, because they allegedly impose unfair restraints on attempts to organise workers and in that way depress wages. Mr Stevenson's endorsement of this view may alienate some of his moderate supporters, but it is a logical step in his attempt to bring the new labour federation squarely into Democratic ranks.

That the AFL-CIO's political ambitions may, however, extend farther was suggested by a clash between Mr Meany and Mr Charles Sligh, chairman of the National Association of Manufacturers. The NAM, an organisation of some 20,000 industrialists with strongly right-wing instincts, had invited Mr Meany to address its annual congress. Mr Sligh expressed the fear that the AFL-CIO would become a "ghost government" ruling the nation for the benefit of organised labour. Mr Meany retorted angrily that, if attempts were made to "disenfranchise unions" and prevent the federation from playing a legitimate political role, it would have no choice but to "start a labour party." No doubt tempers will cool and even the most sanguine labour leaders will realise that they cannot commit their 15 million adherents to a given political party or cause. But to many Republicans, and even to conservative Democrats, the determination of the AFL-CIO to eliminate the independent worker from industry and to play big-time politics will not come as reassuring news.

Ballistic Family

THE annual skirmishes between the three armed services, with each trying to prove to the public that it deserves a larger share of the defence budget than the Administration is prepared to grant it, have taken a fresh and, on one occasion, a spectacular form this year. About a month ago a match was staged between the Army's Nike, its anti-aircraft guided missile, and the Air Force's Matador, its jet-engined pilotless bomber. The Air Force had contended that the Nike, now installed to defend a number of important targets in the United States, was ineffective against supersonic aircraft; a series of misses by the Nike was followed by a double hit on the Matador, with both sides claiming that the decision was in their favour. This year's military rivalries centre round new weapons of these and many other more sensational types; it is known that more of them are now sufficiently developed to come into general military use and that spending on them is to go up. No one, however, seems to envy the Air Force its monopoly of the intercontinental ballistic missile. This is still under development, and is said to be meeting so many difficulties that a medium range—1,000 to 1,500 miles—ballistic missile, based on a ship, may, it is thought, be ready sooner.

Reports about these missiles appeared in the obviously inspired accounts of how work on a variety of new weapons was progressing which were published by several responsible military correspondents last Saturday. As a result, the Secretary of Defence, Mr Wilson, on the same evening announced that the programme for both long and medium range "surface-to-surface ballistic missile systems" had been accelerated, and that it had reached a stage where development and testing facilities must be expanded, with the ultimate objective of providing a whole family of such

missiles. While each service department had been performing specific tasks in this programme, the definite division of responsibilities between them was now necessary, co-ordinated by the Department of Defence. But Mr Wilson was not yet ready to say exactly how the lines were to be drawn, and it is presumed that here, as elsewhere, there are still rivalries to be soothed. This was the first time it had been acknowledged officially that work had begun on a medium range guided missile, but Mr Wilson denied, without carrying much conviction, that he had been influenced by recent reports of Russian progress in this field.

Education's Santa Claus

AMERICA'S privately supported colleges, universities and hospitals awoke last week to find their Christmas stockings magnificently filled by the Ford Foundation. In the largest philanthropic gesture in history, the foundation decided to give away \$500 million—\$150 million more than the total gifts made since its establishment and far more than the total assets of most of the other charitable trusts. The recipients, ranging from small liberal arts colleges and hospitals to the major universities, were so surprised by the news that many of them thought it was a Christmas hoax; but by next July half the money will have been paid out.

Six hundred and fifteen privately financed institutions of higher learning will receive \$210 million to enable them to raise teachers' salaries; as distinguished from a grant of \$50 million made last March, the present gift will not have to be matched by funds raised by the colleges from other sources. That means that teachers in all private institutions will profit equally. A further \$200 million will be given to some 3,500 hospitals supported by voluntary contributions so that they can improve their services. Finally, \$90 million will be set aside for the benefit of forty-two medical schools to help them to strengthen their teaching staffs. In making these grants the foundation specified that no college or university was to receive more than \$5 million—the amount given to New York University. The top grant to a hospital was \$250,000.

The trustees of the Ford Foundation were not only heeding the Christmas spirit—they were also being very practical. The foundation, and especially its off-shoot, the Fund for the Republic, have recently come under heavy political fire. The Fund for the Republic, which is devoted to promoting civil liberties, has been attacked for being left-wing and the foundation itself has been criticised for not doing enough to help small communities and less known centres of learning. Its present gift should do much to silence the critics. Moreover, the Ford Foundation is so prosperous that it has been threatened with "cash indigestion." When its holdings of Ford Motor Company stock go on the market next month, the foundation will receive \$400 million or more. But to invest so enormous a sum of new money in corporate securities is exceedingly difficult and any attempt to do so quickly would upset the bond market. Consequently, the foundation will have to retain much of this sum in liquid form while gradually investing the balance. By getting rid of a large part of its present holdings, the foundation will find it easier to absorb its new wealth.

Consumer on the Couch

FROM A SPECIAL CORRESPONDENT

THE American advertising man, usually one of the more enthusiastic practitioners of positive thinking, has recently tended to daydream about a lady whom he fondly calls Mrs American Housewife, or even Mrs Middle Majority. No heiress has ever been wooed with more flattering attention than this modest controller of the family purse strings. But the "adman" who spends \$8½ billion a year on the art of persuasion is taking no risk of losing his quarry through any unsuspected or wayward whims. In order to put his dreaming on a scientific basis, he has enlisted the aid of Freud to probe the lady's innermost feelings and basic urges. If she is hampered by guilt feelings about using cake mixes, for example, or suffers a traumatic aversion to prunes in the depths of her id, he will be ready with a therapeutic advertisement.

The vagaries of the consumer have become a weighty economic factor in the current era of abundance and consumer unpredictability casts a shadow over what would otherwise be an advertiser's Utopia. Advertising volume is expanding at an even greater pace than is the economy as a whole, and nationwide advertising is growing at the expense of local advertising. Business men, facing the alternatives of "promote or perish," are upping their advertising budgets. Statistics about production strike the ear with a satisfactory boom, and visions of infinitely expanding markets are suggested by such social phenomena as the flight to the suburbs and the "levelling up" of popular tastes. Certainly the consumer is spending as never before, but has he the physical capacity to swallow, say, six times as many bottles of soft drinks in 1955 as he did in 1954, which is what the promoters have planned for him? Somehow he must be cajoled or coerced into ever greater consumption.

A battle is now raging between two factions of "motivation researchers" (the latest class of market analysts) as to the best ways to find out how people really feel about a product. Disparagingly known to each other as the "head shrinkers" and the "nose counters," they disagree on whether a method using clinical tests such as three-hour "depth interviews," Rorschach or ink-blot tests and sentence completion tests conducted on about 250 individuals provides a better clue to public attitudes than direct questioning of thousands of people. While the quantitative or "large sample" approach is considered superficial, the qualitative or "small sample" approach is criticised for, among other things, assuming that the motives of 250 are a guide to the motives of millions, and for producing conclusions of such doubtful advertising value as that men hesitate to ride in airplanes because of an unconscious fear of having sexual relations with strange women. Nevertheless, probably more than half of the big advertising firms have added psychologists to their staffs and their findings have dictated many recent changes in both design and promotion.

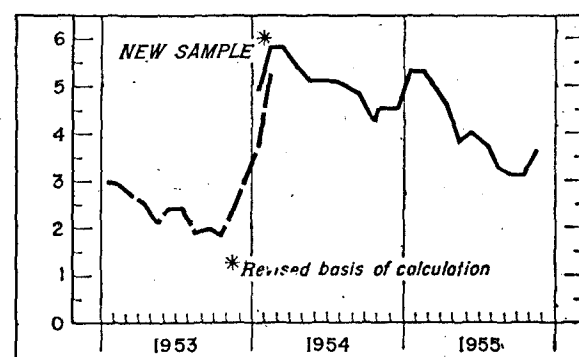
To be effective psychologically an advertisement must "sell emotional security" rather than, as often in the past, stimulate fear and insecurity. The advertisement should create for the product a personality which fits the potential buyer's picture of himself. Because of its association with thugs, the cigar was consigned to near oblivion in the

nineteen-twenties, but was restored to eminence by a subtle campaign suggesting that Sir Winston Churchill, President Roosevelt, General MacArthur, Babe Ruth and others were devotees. The advertisements should also relate the product to one or more of the basic human drives—sex, security, sustenance and status. "Crunchiness" in breakfast foods satisfies the cruncher by allowing him to work off his hostility, serving both sustenance and security. As one executive put it: women do not buy cosmetics but hope, not perfume but allure, and they "are willing to pay more for hope and allure than for lanolin and witch hazel."

If there is a monument to the ingenuity and technical genius of the modern advertising man, it is probably the supermarkets, those dazzling emporia where an average of 4,000, and occasionally as many as 15,000, items sell themselves to the housewife. As a laboratory for the study of buying habits and advertising effectiveness, the supermarket is unsurpassed. Films of the shopper's behaviour reveal that more than half of her decisions are made on impulse. Even the number of times she blinks while shopping (14 times a minute as compared to 45 while paying) has been counted and unblinkingly interpreted as evidence that she buys in a semi-hypnotic trance, doing many things she did not intend. In order to snare her "impulse dollar" and insure that she buys a "flash-frozen" guinea hen stuffed with wild rice and cognac instead of the tin of beans she intended, the advertiser depends more and more on subjective "point-of-purchase" appeals, particularly displays and packages. Descendants of the impassive cigar store Indian, today's displays are frantically animated, assaulting the senses with light, colour and motion. The package, which has sparked the growth of a whole new industry, may make or break the product, depending on how it strikes the eye, promises "convenience" and is endowed with the "come-hither" look.

The grocery business's hope of increasing its share of the consumer's dollar depends in part on hard selling in competition with automobiles, foreign travel and other luxury goods and services which are also now being vigorously promoted. It probably will not be long before motivation researchers are called upon to discover how many fillet steaks equal a Cadillac and how many lobsters balance a trip to the Acropolis in the consumer's subconscious. Cadillacs, after all, are coming in a new streamlined package every year, and foreign travel, within the means of everyone, can be had in the "package tour."

UNEMPLOYMENT in the UNITED STATES
AS PERCENTAGE OF CIVILIAN LABOUR FORCE



The World Overseas

Pipeline versus Tanker

WHAT is the correct charge for oil that travels to market by overland pipe, instead of by sea and by tanker, when the pipe confers a major saving of money on the owners and operators of the oil, but runs through a third party's property? What is the fair price chargeable by that third party? Here is the question that underlay the several years of negotiation between the Iraq Petroleum Company and Syria that ended last week, when the Syrian parliament ratified an agreement that settles new rates and is said to write off all old grievances.

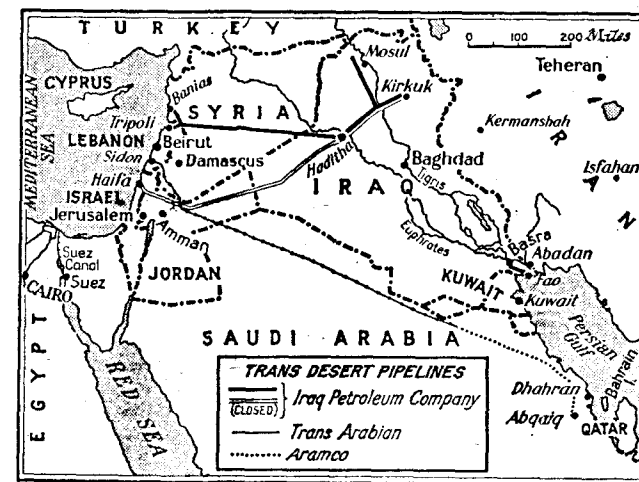
The reason for so protracted a haggle becomes obvious if one glances at the map and reflects on the psychology of the Levant. For the Middle East's oil lies in the east—in Iraq, Saudi Arabia, Iran and the sheikhdoms of the Trucial Coast—while to the west, three "have-not" states look on with envy. Until a decade ago, Syria, Lebanon and Jordan were, like the owl in Alice, content with a minor share of the treat; they were ready to welcome pipeline companies, to sell them the necessary long narrow strips of freehold land, and to look forward to a dividend from what had been useless desert in the shape of small security, transit and loading fees. But this scale of values has altered at sight of the mounting oil-revenues accruing to neighbours. Minds have been stimulated into calculating that ownership of the lands through which the oil must pass *en route* for its biggest market is an asset just as fortuitous, and just as exploitable, as the possession of subsoil wealth.

The company sees the matter differently. Western minds are bred on the notion that transit dues bear no relation to value, and ceased to be vexatious with the Barcelona Conventions of 1921. The IPC felt that it had done well by the countries of transit by lodging a major capital investment there, and by yielding them some regular employment and dependable cash dividends at no cost or risk to the receivers. At intervals since 1950, it has revealed some sensitiveness to the trend of local opinion by stepping up its offers of recompense, but, each time until the last, its

figures have been so much in arrear of Syrian and Lebanese thinking that none has been accepted. Meantime, the company too has contracted a grievance in that under the old agreement, on the basis of which it had perforce to continue its operations, the Syrians pinned it down to a piece of tit-for-tat in the shape of an exchange rate so disadvantageous that Syria was making an annual profit of £1 million sterling on company purchases of Syrian currency. Thus each party was feeling sore when, once again this year, they set about negotiating a new arrangement.

The compromise reached, which is a monument to the patience of the negotiators, has two main virtues. The first is that it aspires to cure the old accumulation of resentment on both sides. It provides for a down payment by the company of £8½ million sterling, in settlement of all outstanding claims. The second is that it establishes a basis for calculation of the charges that the transit country can reasonably make, and that the basis finally agreed is logical enough to offer some promise of durability.

The accompanying map shows that the oil piped to the Levant coast comes from two kinds of source—the one seaboard Arabian fields whence an alternative route is open *via* tanker and *via* Suez; the other, inland fields in Northern Iraq which enjoy no such easy alternative. Only the rate for the latter was being negotiated. But the negotiators were able to agree on two cardinal principles—the first, that the cost of carrying oil by pipe from Arabia could not exceed that of the same oil carried to the same coast by tanker; the second, that the price of oils of equivalent quality reaching the Mediterranean coast must be roughly the same whatever their source. The new tariff per ton and per 100 miles piped is therefore based on the cost of operating a tanker from the Gulf to the Mediterranean, set against a pipe-mileage figure that yields Syria a result of 1s. 4d. per 100 ton-miles. When to this is added a terminal loading fee of 1s. 1d. per ton at Baniyas, Syria's consolidated dues on the 26 million ton throughput that is anticipated in 1956



will be £6½ million sterling; the contrast with the old earnings, which were approximately £1½ million sterling per annum, including the profit on exchange, shows that the Middle Easterners are not the only people with a changed scale of values; the company, too, has moved with the times. The management of its fellow-pipeline, the Trans-Arabian company, is now being pressed by both Syria and Lebanon to pay transit dues on a similar basis, and is likely to fall in with their wish.

So much for the present: nevertheless, the future offers no grounds for complacency. The degree to which pipeline charges remain the sport of local politics is suggested by the strange majority that sanctioned ratification. Out of a Syrian parliament of 142 deputies, only 56 were bold enough to stand up for what was logically attainable (as against the dream figures being propagated by hyper-nationalists, or by Communists who want to worst the West by every available means, or by recipients of the Saudi-Arabian moneys that have changed hands during the current Saudi campaign for worsting Iraq). Nineteen members voted against ratification; most of them were people who prefer to be tempted by the current offer of a refinery and oil deliveries from Russia. No less than 66 abstained or stayed away, presumably in order to feel free to look askance at the agreement, if expedient at some later stage in home politics.

Protecting Foreign Investor

What protection can the foreign investor devise against their vagaries? One method is to interweave his enterprise with that of local entrepreneurs to a degree that causes these last to want to further, and not hinder, his operations. Experience elsewhere has proved that once local industries grow dependent on smooth operations by the oil company, its rating in parliamentary esteem changes for the better. Another technique would be to agree with foreign fellow-investors on a limit of endurance and then to stand upon it. But such agreement between IPC and Tapline is limited by the American anti-trust laws which have in the Middle East one disastrous effect unimagined in the Middle West. By inhibiting mutual consultations between the companies even on matters only remotely related to price, they shackle the latter in their contests with orientals who are adepts at playing foreigners off against each other.

There remains, therefore, only the protection offered by alternative routes. Seaboard oil, such as that of Arabia, can as easily travel by tanker; one effect of pressing for pipeline charges that equal tanker charges is to enhance a future preference for tankers. But inland oil is less comfortably placed. Practically speaking, Iraq is not quite inevitably Syria's prisoner. There is no physical obstacle to establishing an alternative route *via* Turkey, or by all-Iraqi pipe to a marine terminal on the Persian Gulf. But the economic obstacles are enormous. A capital investment of £40 million has been sunk in Syria; who wants, unless needs must, to sink perhaps another £60 million on the longer alternative haul through Turkey, or to pipe oil to a south coast where it is already available at negligible transport cost?

Yet there could come a point at which a decision that looks mad today will be weighted otherwise by the erratic course of Syrian politics. These are fast turning investment in pipelines that cross frontiers into a hazard that cautious investors would like to avoid.

Red Roses Across Asia

FROM OUR SPECIAL CORRESPONDENT

THE dwellers in Soviet lands will be able to watch almost every step of Mr Khrushchev's and Marshal Bulganin's triumphal progress through Asia. In every Indian and Burmese town through whose crowded streets the impressive Soviet motorcade has rolled, the Russian leaders' open car has been preceded by a truckload of movie cameramen, facing backwards, crouching low and cranking like mad. Meanwhile, Indian and Burmese cinemas are showing the Soviet films of Mr Nehru's and U Nu's tours of Russia. The cumulative celluloid impact on the masses of all these demonstrations of brotherly love is likely to be considerable.

The spectacle of two small elderly men in bell-bottomed trousers indefatigably traversing Asia preceded by a film truck would by itself be fairly laughable, but in addition Mr Khrushchev has missed no opportunity for amiable clowning, and has done almost everything except the Indian rope trick. He has worn Gandhi caps and embroidered hats, waved jewelled scimitars, beaten drums, embraced dancers, ridden elephants and had *kumkum* smeared on his forehead by young Hindu women. Most of the time, Marshal Bulganin has just trailed along, like the fourth Marx brother watching the other three perform.

The Russians have been travelling on a carpet of rose-petals thousands of miles long, kindly laid down for them by the governments who are their hosts. The loudspeakers, the elaborately decorated forums, the triumphal arches, the Soviet hammer-and-sickle flags obediently waved by the well-drilled schoolchildren along the route, have all been supplied by courtesy of Mr Nehru and U Nu. Indian maharajas have fought to be in the receiving line, and some local dignitaries have vied with one another in reviling "capitalism and imperialism" on the same platforms as the Russians.

Fidgets in Calcutta

All this has sustained Mr Khrushchev's good humour, so that he has been able to deliver his fieriest speeches against the West on nothing more potent than plain water and coconut milk. It also encouraged him to bait the Western newspaper correspondents on the tour in language which has been increasingly provocative. The West's reaction to his attacks has not abated Mr Khrushchev's high spirits. He looks on the country like a man who is rubbing his hands over it.

The same cannot be said for other members of the Russian party. Marshal Bulganin has preserved a calm inscrutability, but some of the others began to get the fidgets in Calcutta and have displayed increasing nervous irritability ever since the Calcutta mobs swarmed over the Russian leaders' car and forced them to take refuge in a police van. This applies especially, and perhaps understandably, to the Russian security officials, led by General Ivan Serov, the successor to Beria as head of the political police. While Mr Khrushchev has been attacking the West and baiting the Western pressmen without ever losing his broad smile, General Serov has been flying into childish tantrums. When

he announced at Bangalore that Russia had added to the world's collection of big bangs, and that this was the "proper answer" to the world's warmongers, Mr Khrushchev somehow managed to make it sound less like Big Brother in an ugly mood than like a righteous man girding on his armour purely for defence. But when General Serov, with icy venom, told a British photographer, "If you were in Russia you would be beaten up," shudders ran down quite a few spines, including those of Soviet reporters. When not in one of his rages, however, General Serov is merely an unobtrusive little man in a grey suit, and what the masses of Asians see is not Beria's successor being vindictive but Mr Khrushchev beaming.

The hysterical adulation which greeted the Russians in Calcutta was not equalled in other Indian towns, and in Burma the Soviet circus flopped badly enough for a Rangoon newspaper to make fun of it. The *Nation* pointed out ironically that the many sins of the British included teaching the Burmese such things as parliamentary democracy, which impeded Burma's progress towards the true goal of the one-party State, presided over by beaming Khrushchevs and ruled in day-to-day practice by snarling Serovs. Even the Calcutta mob scenes were more a product of Mr Nehru's warm-hearted encouragement than a symptom of genuine interest in the Soviet wonderland: Mr Nehru had told the Calcuttans to get in there and cheer, and Calcuttans love *tamashas*. They might have thronged the streets just as eagerly if Mr Khrushchev and Marshal Bulganin had been on their way to be hanged.

Well-drilled Schoolchildren

What was very evident was that Mr Nehru and U Nu showed an oriental determination at the least to equal, and if possible to surpass, the welcomes they had received in Russia; and that they were not above employing Soviet methods to achieve this goal. In both India and Burma the cheering, slogan-shouting, hand-clapping schoolchildren were lining the route by order; and the spectacle of those thoroughly rehearsed children doing what they had been told to do was far from funny. As the *Madras Mail* pointed out, in ten years or so these children will be voters, and "what could not have been done in ten years' indoctrination may have been achieved in one red-letter day"—at the instance of the Indian government. In Burma, the spectacle was still more painful, for the children lining the Russians' route shouted their slogans off pieces of paper supplied by the Burmese authorities. "Long live Bulganin and Khrushchev," they chanted. "Long live Burmese-Soviet friendship."

"Long live John Foster Dulles," suggested one of the wicked Western correspondents.

"Long live John Foster Dulles," obediently echoed the children.

"Long live Coca-Cola!"

"Long live Coca-Cola!"

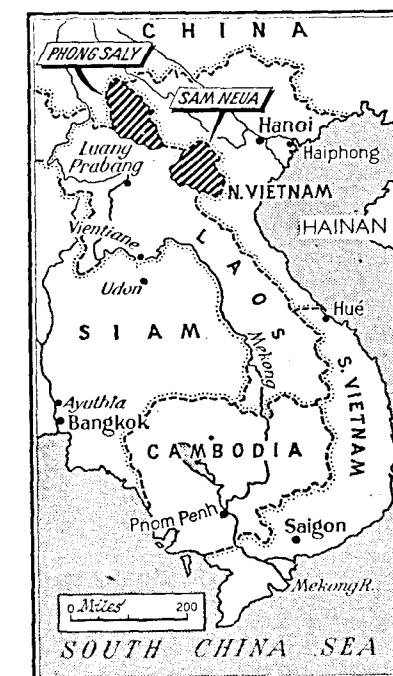
Mr. Khrushchev and Marshal Bulganin can hardly be blamed for taking the fullest advantage of the opportunity afforded them by the Indian and Burmese leaders to make Communism appear thoroughly respectable in the eyes of the Asian masses, and, correspondingly, to make the West appear odious.

"Christmas Day" in Laos

ON December 25th—because it is the last Sunday of the year, and not because that date has any special significance to a Buddhist population—the Laotians will go to the polls. In so doing, they will fulfil, with six days in hand, their compact under last year's Geneva agreements, which laid down that general elections should be held in Laos in 1955. Under the country's constitution, the elections should have been held on August 28th; they were postponed by decision of the National Assembly and of the King's Council, in order to explore the remaining chances of an agreement with the Communist leaders of "Pathet Lao," the mythical state set up at the point of Viet Minh bayonets in 1953. The constitution provides that elections should be held on a Sunday: December 25th was thus the last day of the year on which the elections could be held.

Besides being the smallest of the three states of what was formerly French Indo-China, Laos is the most inaccessible and the most undeveloped. Almost impenetrable jungles and towering hump-backed mountains lend remoteness to

places that look close together on the map. The protection of his surroundings has helped Prince Souphanna Vong, the Pathet Lao leader, to retain his hold on Phong Saly and Sam Neua, the two contested provinces of his realm. And it is now clear that the Royal Government will not be able to regain control over the two provinces by constitutional means. Communist strategy has been to treat Laos in the same way as the genuinely divided countries—Germany, Korea and Vietnam. Though



few people had heard of Pathet Lao until the Geneva conference met, the Communist negotiators succeeded in getting at least its existence as an organisation recognised. But the authority of the Royal Government over the whole country was at least tacitly acknowledged, and the government declared that it would take measures to ensure special representation for the two provinces in the interval between the cease-fire and the elections. In practice, however, the government has been unable, even with the co-operation of the international supervisory commission, to assert its authority over the disputed provinces. With Viet Minh support, the Pathet Lao has repulsed with force all attempts by the royal army to enter the provinces and has played for time at the discussions that have alternated with periods of fighting.

When the two sides at last met in formal conference, at Rangoon in October, it was hoped that agreement might be

reached; and indeed, an agreement on a cease-fire was rapidly concluded. But when the conference resumed at Vientiane, the administrative capital of Laos, early last month, the Pathet Lao delegate, Phoumi Vong Vichith, put forward a series of demands, some of which, including requests for guarantees against abuse of democratic liberties and for freedom from reprisals or discrimination, were accepted by the government representative, Thao Nhoy Abhay. But there were also unacceptable proposals including a demand that the date for the nomination of candidates should be extended to November 12th; the government, which had already granted an extension from October 11th, the legal date, to October 31st, refused a further extension. In so doing, and in rejecting other unconstitutional demands, the government delegate reminded the Pathet Lao that the final declaration of the Geneva conference specifically laid down that elections should be held *according to the constitution*. When the Pathet Lao delegate insisted on maintaining his original demands, the government had no alternative but to call off the conference. The elections will thus, as the government has explained in a detailed statement to the chairman of the supervisory commission, be held only in the ten provinces that it controls.

There is little significance to the outside world in the contest between the Progressives led by the Prime Minister, Katay Sasorith, and the Independents led by the Foreign Minister, Phouy Sananikone; the two parties are little more than private factions, and they may be expected to co-operate as amicably after the elections as before. The long-term danger of the Communist provinces will remain. Despite the declaration of peaceful intentions by the Viet Minh Foreign Minister, Pham Van Dong, at the Bandoeng conference, there is little doubt that the 5,000-strong Pathet Lao "fighting units" are officered and advised by the Viet Minh. The government forces are probably five times as numerous; but any large-scale fighting between both sides would threaten to involve the South East Asia Treaty powers (who are pledged to defend the integrity of Laos) against the principal Communist powers of Asia—China and the "Democratic Republic of Vietnam."

German Industry Through British Eyes—II

BY OUR CORRESPONDENT LATELY IN GERMANY

TEMPELHOF airport is ten minutes' drive from the Kurfürstendamm, which makes Berlin the only major city with the luxury of air transport at its door. Each day between 400 and 500 refugees from the eastern zone are flown out from Tempelhof to Western Germany, a high proportion of them boys and young men. The flow through Berlin represents about two-thirds of the total who cross the border. What German industry would have done without this steady influx of labour is difficult to imagine.

Until a short while ago, the major pre-occupation in Germany was to find work, not to find workers. The spectacular recovery that has brought Germany back into the international markets as a major competitor of Britain has been carried out largely in the capital goods industries and

in building. These are the industries with rapidly lengthening order books—up to two years' delivery is becoming usual—with labour shortages and with wage claims to face. The sector making consumer goods has not shared in the same prosperity, although its turn may be coming.

One of the symptoms of internal strain has been the steady drift of men away from the mines into, it is said, the building industry; 10,000 have left in the past six months and the pits are short of between 20,000 and 30,000 men. Given the men, many people believe that Western Germany could produce enough coal to meet domestic requirements. As it is, the country is importing 9 to 10 million tons a year from the United States at 25 to 35 D-marks a ton more than German coal.

The textile industries, on the other hand, are generally as depressed as they are in England. It is estimated that about 500 million D-marks a year need to be spent on re-equipping them; during the past five years the average level has been 200 million D-marks. Although textile output has expanded, the increase has been slower than in the rest of the German economy, and the proportion of personal incomes spent on textiles is still falling. The same is true of the shoe and leather industries, and the rest of what are usually described as "soft" consumer goods. Rough estimates suggest that these industries are working to between 60 and 70 per cent of their capacity. It is debatable, of course, how much of this is due to an injudicious expansion a few years ago.

40,000 Scooters a Year

The trade unions, pressing for higher wages, argue that a bigger wage packet will help these industries, but it is possible to pick holes in their reasoning. As in Britain and in the United States, German consumers are showing a greater taste for the durable consumer goods, cars, refrigerators, television sets. Textile consumption per head in Germany is roughly half what it is in the United States; there is no reason, however, to believe that it is held down because of shortage of spending power. Given the amount of overtime that they work, the average German takes home quite a substantial pay packet.

It is more probable that any additional spending power will go to swell the demand for the steel-using consumer industries. A high proportion of the inflated orders for machine tools and other capital equipment comes in fact from the consumer industries. Several of the prewar manufacturers of such things as refrigerators are now planning to go back into the production of household goods for the first time since the war. The output of television receivers in a country where the television service is barely starting will reach 350,000 this year and should be running at 550,000 in 1956. The Volkswagen factory is reducing the proportion of its output sent abroad in order to meet home demand. In the south the BMW motor works is able to market 6,000 luxury cars a year in spite of competition from Mercedes, and is putting down production lines to build 40,000 Isetta scooters a year (licensed from Italy) because the German workman now prefers to ride to work under cover. The steel industry has installed one wide strip mill, and has two more scheduled for delivery in 1956, giving a total capacity of 3 million tons of wide strip a year. The biggest customer for this is the motor industry.

The government is attempting to check the demand for capital goods by allowing the tax concessions on investment

to die naturally at the end of the year; by budgeting for a 20 per cent real cut in the heavy physical volume of government building; and by holding on to a steadily accumulating budget surplus (to be spent on armaments, much of them imported, over the next three or four years). The central bank is attempting its own version of the credit squeeze; both sides are mildly satisfied with the results of the first few months' use of these classical weapons. But their calculations could so easily be upset by a general rise in wage levels, and it is puzzling to see how this can be avoided. A few weeks ago, industry and the unions faced a test case, a threatened strike in the steel industry over a claim for a 12 per cent wage increase. A rise in steel wages would not automatically lead to higher prices—as the unions point out, industrial profits are very high, and have up till now been used to finance a certain amount of reconstruction. Now that reconstruction is largely completed, higher wages could be paid out of those profits without affecting prices. But higher steel wages mean higher coal wages. Higher coal prices, which would follow automatically unless the government decides on a subsidy, certainly mean higher steel prices. And wage demands are not going to stop in the coal and steel industries only.

A situation of this kind is ripe for a gentle inflation in the Anglo-American sense—although certainly not in the German sense of a runaway currency. The German government is prepared to go to considerable lengths, including tariff cuts to increase imports, to prevent home prices from rising—even to the lengths of considering subsidies. In Britain, its attitude might seem unreasonably nervous. In Germany, it is conceivable that industry's lavish profits provide at least a temporary buffer out of which to meet higher costs without in fact raising prices. The moral is that British exporters should not be too complacent in the interpretation that they put on these domestic developments in Germany. Only if the Germans' appetite for cars and palatial offices (which are planned on a scale that dwarfs their British counterparts) and, above all, for housing, continues without check, will the situation get out of hand.

(Concluded)

Rumania's Party Congress

BY A CORRESPONDENT

FOR the third time in the last two years, the Rumanians are engaged in exhausting "socialist and patriotic emulation in honour of the historical Second Congress" of the Workers' Party (Communist), which is to open next Friday. The congress should have been held, at the latest, in February, 1951. It was not, however, until August, 1953 (when the "new look" economic policy was adopted), that a date was fixed for the following March. But March, 1954, came and went without any congress, and on April 20th the central committee belatedly announced that it would be held six months later, on October 30th.

This time it looked as if the congress really was going to materialise. Its agenda was published in August; there was a press campaign and "socialist competitions" and by October the papers were full of reports of "Labour heroes"

who, in honour of the congress were already fulfilling their norms for "1980" and even the year "2000." Delegates had already arrived in the capital when, only two days before it should have opened, it was suddenly announced that the congress was to be yet again postponed. The excuse given was that the meeting would have jeopardised the autumn ploughing and sowing campaign and the collection of compulsory delivery quotas. But the assurance that it would be held as soon as these were completed was not fulfilled.

This precipitate postponement was, it seems, partly due to the Kremlin's dissatisfaction with the general situation in Rumania and with the preparations for the congress and partly to some difficulties that Gheorghiu-Dej was experiencing within the party. The first year's results of his "new course" economic policy had not been encouraging, and had caused dissatisfaction among the privileged minority of bureaucrats, including his opponents inside the party. Gheorghiu-Dej apparently feared that at the first opportunity these might close their ranks in favour of one of the "deviationists," of whom he had only incompletely rid himself. On the one hand, a handful of sympathisers with Patrascanu (the former Communist leader who was officially executed in April, 1954) was still to be found amongst the old idealist cadres and former Socialists, although most of these had been purged in the late 'forties. And, on the other hand, the sympathies of the opportunists and careerists who had invaded the Party after 1948 and now form the majority of the party bureaucracy, were with Vasile Luca. They were encouraged by the fact that Gheorghiu-Dej's "new course" policies strikingly resembled the point of view for which the former Minister of Finance had been ostensibly purged in 1952. It was difficult to predict the strength that his supporters might muster at the congress and if they were to form alliances with others of his opponents who were still in power, a dangerous situation might be created for Gheorghiu-Dej.

Ana Pauker's Future

By the time Mr Khrushchev came to visit Bucharest last summer, however, Gheorghiu-Dej appears to have got the situation within the party well in hand (Vasile Luca had been sentenced to life imprisonment in November, 1954) and the Russian leader apparently gave his blessing to new plans for the party congress. These were announced at the beginning of October, together with a remarkable reshuffle of the leadership of the party, state and trade union machine. To Gheorghiu-Dej, who had already played the parts of Rumania's little Stalin and then Malenkov, was given the role of a local Khrushchev; he relinquished the premiership for the post of First Secretary of the party and was "elected" a member of the Grand National Assembly's Presidium, according to the Soviet pattern. His faithful and intimate friends, Chivu Stoica and Gheorghe Apostol, were respectively placed at the head of the government and of the trade unions. To underline his victory, Gheorghiu-Dej obtained the appointment of two of his men, the chief planner Miron Constantinescu and Lt. General Leontin Salajan as First Vice-Premier and Minister of the Armed Forces respectively. On the other hand, the Ukrainian-born General Emil Bodnarus, was moved from the Ministry of Armed Forces and made First Vice-Premier, while the Russian-born Josif Kishinevski, a survivor of Ana Pauker's faction, left his First Vice-

Premiership to act as deputy to the First Secretary of the party.

This temporary solution of the permanent faction struggle within the small Rumanian ruling clique on which the Kremlin can rely, removed one of the chief obstacles in the way of the "historical event." The election of the central committee, which is one of the duties of the congress, is thus reduced—as it should be in the best Communist tradition—to a mere formality. But from the list of those elected it should be possible to get a more exact picture of who has been purged. There may also be some clue about Ana Pauker's future status. According to reports from Bucharest her case was re-investigated this summer, at her own request, by a Russian commission, which apparently pronounced in her favour; but there has not yet been any public statement about her future.

The agenda of the congress is now evidently sufficiently impressive to satisfy the Russians, and barring accidents the congress should really take place, and should be as cosy as a model Communist congress ought to be. The ordinary workers, however, will only be represented by the managers, the foremen and the record norm breakers, who will applaud their leaders and pledge themselves to force the workers to "fulfil and overfulfil" their norms. The latter, however, sometimes find means of expressing their discontent; recently, for instance, the miners of the Jiu Valley demonstrated against the new rise in norms and thoroughly beat up the record breakers. The army had to be called in and the valley was cut off from the rest of the country for a fortnight.

Guatemalan Eyes on British Honduras

FROM A CORRESPONDENT IN GUATEMALA

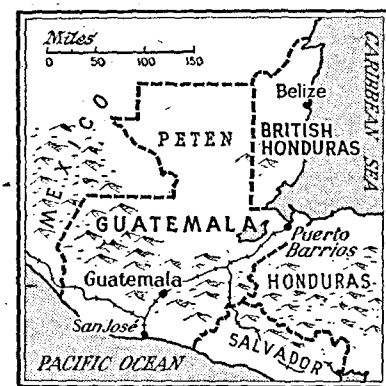
THE Guatemalan government has decided to ask the Organisation of Central American States (OCAS) to study its claims to the territory of "Belice" (British Honduras), which in the official Guatemalan view is "our territory now occupied by a foreign power." The practical value of this step is not clear, but it is obviously one more move by President Armas's government to keep the issue alive. It has already sent an appeal to the United Nations setting forth its claim, and recently it accused residents of British Honduras of illegally crossing the Guatemalan border and gathering chicle, an ingredient of chewing gum, in Guatemala's province of Peten. Several British subjects were arrested, and a prompt protest by the British Minister in Guatemala City was rejected.

Guatemala's claim to British Honduras has been used from time to time by previous Guatemalan administrations as a nationalist gesture more to divert the public's attention from domestic woes and problems than as a forerunner of any serious action to obtain control of the territory. In fact, while most Guatemalans have been convinced by constant propaganda that the territory rightfully belongs to them, most thinking Guatemalans privately admit that if "Belice" were turned over to them tomorrow, they would have a serious problem on their hands. For one thing

British Honduras is not self-sufficient and Guatemala, in its present delicate economic position, would be hard put to it to find the annual subsidy that the British Government provides for the territory. There is also a racial problem. The population of British Honduras is primarily coloured while that of Guatemala is some 65 per cent pure Indian. Guatemalans have no desire to see a mixture of the two elements and at present Guatemalan laws strictly restrict the entry of all coloured people.

For practically a year after Colonel Castillo Armas, now President, invaded Guatemala and ousted the pro-Communist regime of the ex-president Jacobo Arbenz in June, 1954, his new government was too occupied with domestic problems to give attention to the "Belice" issue. In fact, the issue might still remain filed away in the Foreign Office if it were not for some developments that are now taking place.

Last month the government began to accept applications from the major American oil companies for exploration and exploitation permits under a new oil law passed some months ago. The majority of the applicants will probably ask for concessions in the province of Peten which borders



both British Honduras and Mexico to the north and west. The Peten region is a vast jungle area, sparsely populated and with no surface roads leading to it from the rest of Guatemala. In fact, the entire area is isolated from the rest of the country except by air. For years, oil deposits have been reported in

the region and major oil companies have spent large sums on surveys. But whenever they tried to obtain concessions, they were rebuffed. The present government, however, in its anxiety to improve the Guatemalan economy has decided to allow the oil companies to go ahead.

If oil deposits should be found in commercial quantities, the problem of piping the crude oil to a convenient port for export would be a serious one. Guatemala's Caribbean coast is short and its only port is Puerto Barrios. To lay a pipe line to Puerto Barrios would involve many difficult and extremely costly engineering problems. British Honduras on the other hand has a good highway leading from the port of Belize to the border with the Peten province and the least expensive and most convenient way to export any oil would be by either trucking the crude to the port of Belize or laying a pipe line to that point. But the Guatemalan government has made it clear that it will not allow any of its oil to be brought through the "occupied territory"; and although oil deposits have not as yet been confirmed the government's stand has already brought complaints from the interested oil companies. In the circumstances, it looks as if the present efforts of the Guatemalan government to stir up the British Honduras issue and possibly to ask for adjudication of the matter by an international body, is due primarily to its need for this convenient route for the transshipment of the oil that it hopes will now be found under Guatemalan soil.

Great new port built on Gulf of Aden

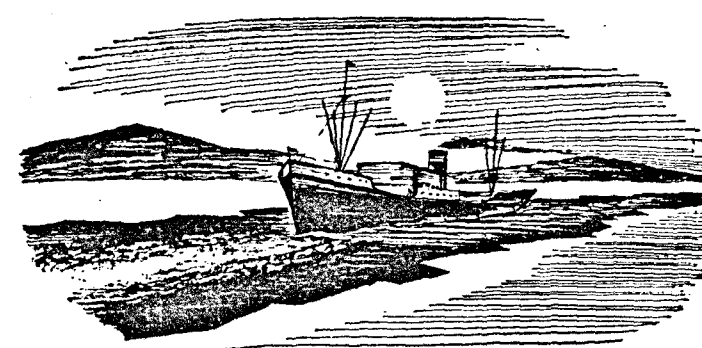
On the barren, scorching peninsula of Little Aden, men and machines have moved desert sand and volcanic rock to build, for the British Petroleum Company, a modern port and a giant refinery capable of processing five million tons of crude oil a year.

With Arab and Sudanese tribesmen as the only available local labour force, the contractors, George Wimpey & Co. Ltd., had a problem when it came to quarrying two million tons of rock for the harbour. As many of the men had scarcely seen anything mechanical in their lives before, the drilling equipment had to be foolproof and easy to operate. The choice was Atlas Copco rock drills. With these machines the huge operations at Little Aden were completed in the record time of twenty-one months.



Waterways freed from ice in Sweden

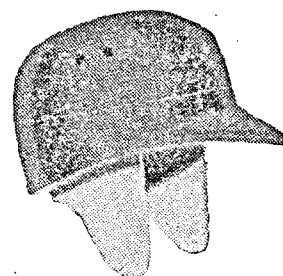
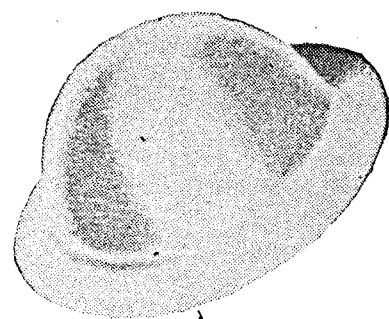
Compressed air is versatile. Atlas Copco provide the means for all its many applications. From rock drills for the vast Little Aden project to specially developed equipment used in Sweden to prevent ice formations on vital navigation channels. Here Atlas Copco compressors eject streams of air through perforated pipes laid along the beds of the channels. This forces the lower, warmer layers of water upwards, thus keeping the temperature of the surface above freezing.



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Hats off to

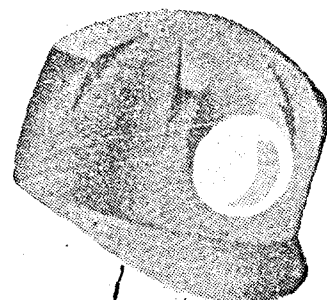
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THE BUSINESS WORLD

Price Leadership in Tyres

IN the tyre trade the Monopolies Commission encountered an industry unlike most of the other nine on which it has so far reported, and the changes it recommends in the trade go farther than it has ever suggested for any other. One change recommended by a majority of the members signing its latest report—that manufacturers should cease to set the prices at which their tyres are sold to the public—goes, indeed, beyond a limit that the Commission has hitherto seemed to set itself. Further, it goes bluntly against one of the provisions that the Government has committed itself to include in its forthcoming and reputedly strengthened legislation on restrictive practices. Is the Commission right?

The peculiarity that the Commission distinguishes in the pneumatic tyre trade is not so much that all the makers fix identical retail prices for the same kind of tyre, and announce changes in price at the same time—but rather that it believes these prices would remain “more or less identical” even if the makers did not consult each other about keeping in step. At present, the makers do consult: under the system outlined on the next page, the Tyre Manufacturers’ Conference recommends changes based on its estimate of the future level of costs, and all the postwar changes in tyre prices, except two minor changes made in 1950, followed such recommendations. The makers are in no way bound to follow these recommendations, or to keep in step with other makers. But in practice they do, and they rigorously enforce (through the British Motor Trade Association) the identical retail prices that they set individually. Prices of the tyres that they sell in other markets—those for new vehicles, agricultural equipment and aircraft, and those hired through “mileage contracts” to fleet operators—may vary more, but the identical basic price list is an element in settling many of them. The industry exports about a quarter of its output, and most of the tyres exported

are sold at common basic prices; in overseas markets where local tyre manufacture does not set the price level, discussions between the Dunlop Rubber Company, the Rubber Export Association of America, and other leading European manufacturers “result substantially” in a common world price level.

★

The Tyre Manufacturers’ Conference told the Commission that without their voluntary consultation on prices there would be “full-blooded competition” in the industry, eliminating the weaker manufacturers and forcing the exhausted survivors eventually to raise prices to recoup their losses. Dunlop did not agree; thinking it

an ill-founded suggestion, wholly unsupported by the evidence, if it were sought to infer that because after consultation prices are found to be identical, they would be different were there no consultations.

Nor does the Commission. It thinks that in this compact industry of only eleven manufacturers, operating with a large amount of special equipment, which began its consultations in the difficult trading years between the wars, price competition of the sort characteristic of industries with many manufacturers is unlikely to develop. Six companies dominate tyre manufacture: one, Dunlop, controls nearly half the British business, making it the natural “price leader,” but the other five are connected with companies of comparable power in other countries.

Even the price leader must be cautious in its policies since if it started an aggressive market policy others would reply and the financial results would be unpleasant. Common pricing in tyres, the Commission thinks, thus stems partly from the industry’s structure and partly from its history.

All the nine members of the Commission signing this report agree that the trade association’s consulta-

tions, collection of costings, and recommendations on prices are against the public interest and should be abolished; though there might not be much price competition if these arrangements were abandoned, they feel, "it is certain that with them there will be less, and that the incentive to the higher-cost producers to improve their efficiency will be less." Five of the nine feel this is not enough. If it is unlikely that manufacturers will compete by setting different resale prices, they think, price competition should be introduced at the distributive levels: manufacturers should no longer

be allowed to make retail prices in any way binding on any subsequent seller of the tyres.

The Commission's conclusion that price competition in the ordinary sense cannot be expected from the tyre manufacturers, even if collective consultation is ended, seems a convincing one as presented, though the outsider is not perhaps offered all the evidence upon which the Commission reached it. Price leadership in such conditions of oligopoly—when the dominant power of Dunlop in Britain is partly balanced by the powerful overseas connections of the other five major makers—

Facts about the Tyre Trade

NEARLY 28 million pneumatic tyre covers were produced in Britain last year, with about 23 million inner tubes, and more than 2½ million covers were remoulded from worn tyres. About 7½ million new covers and 5 million tubes, worth £22.4 million, were exported "loose"—apart from those sent overseas on exported vehicles. In 1952, when the volume of sales was about 25 per cent lower, the industry's turnover was about £96.5 million—£88 million from new tyres and £8½ million for remoulds.

Only eleven companies make tyres in Britain, though three more "manufacturers" have their branded tyres made for them by others. Seven are foreign-controlled: Goodyear, Firestone and Dominion are owned wholly, and North British owned as to 50 per cent, by American companies, Michelin and Bergougnan by French, and Pirelli by Italian. British Tyre and Rubber was originally owned by Goodrich, but the American company sold most of its holding in 1934. Avon has some technical liaison with Sieberling of Akron; Henley's, John Bull and Davies are smaller companies with no foreign connections; and India, the second largest British-controlled company, is owned by the largest, Dunlop.

Dunlop is by far the largest manufacturer in Britain: in 1951 and 1952, with its India subsidiary, it accounted for about 47 per cent of the tyre industry's turnover, and for more than 40 per cent

of the industry's "loose" tyre exports; it has also ten tyre manufacturing subsidiaries and associate companies overseas. Even so, tyres account for not much more than half of Dunlop's productive capacity.

* The tyre manufacturers also account directly for about a quarter of retreading business (by value) and supply most of the materials used by the hundred or so other concerns that do retreading. Dunlop and India in 1952 did about an eighth of retreading turnover, and an-

1951 AND 1952: TYRE SALES IN VARIOUS MARKETS* (% by value)

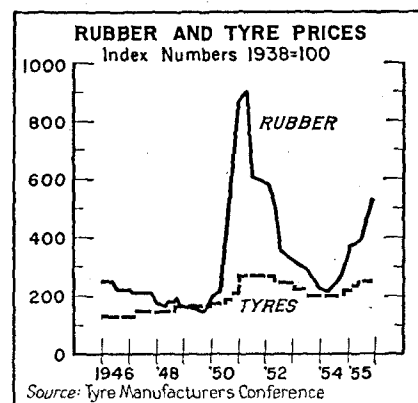
By Tyre Makers	1951 Per Cent	1952 Per Cent
<i>Home</i>		
Original equipment...	29.3	35.0
Mileage contracts	36.4	28.8
Government purchases	3.3	3.8
Mileage contracts	4.7	6.8
<i>Export</i>	26.3	25.6
	100.0	100.0
Tyre makers' total sales...	£115.6m.	£90.1m.
of which, Dunlop group	£57.0m.	£44.9m.
Other re-treaders' sales...	£6.7m.	£6.4m.
Total tyre turnover	£122.3m.	£96.5m.

other eighth through two retreading companies owned secretly, Regent and Tyres (Scotland); in 1953 Dunlop openly bought another major retreading company, and the Monopolies Commission thinks it probable that the group is "now responsible for well over 30 per cent of the total sales of remoulds."

The three-quarters of new tyre output sold at home go to four different markets, with different trading terms.

Original Equipment for new vehicles: Sales to the largest vehicle makers are subject to no restriction, but in 1952 the Commission found that most of them were charged identical prices for tyres of the same size and type in similar quantities—about 40 to 60 per cent below retail prices. Less important vehicle manufacturers are charged identical prices, which follow a Dunlop list.

Under Mileage Contracts the makers keep passenger transport operators'



fleets adequately tyred: the tyres remain their maker's property, being serviced and replaced as necessary. A common formula, which gives a rate per vehicle mile, is used with the schedule of identical retail prices and quarterly statistics of operation to set the basic fee.

All contracts for *Government Business* are put out to competitive tender.

Retail sales in the *Replacement Market* are done at identical prices for the same size and type of tyre. These retail sales are also altered simultaneously. There is no binding agreement on manufacturers to set common prices, though the Tyre Manufacturers' Conference makes quarterly estimates of future costs using returns from ten of the eleven makers, and recommends price changes based on these. Tyres remoulded by the manufacturers are also maintained at identical prices; the other retreaders have an association that recommends minimum prices—usually at a similar level.

The 27,000 dealers on the "Tyre Trade Register," since January, 1954, have obtained basic discounts on these identical retail prices from all manufacturers, plus a variety of additional discounts and rebates from different makers. Since 1927, Dunlop has been secretly buying its way into the distributive trade: the 23 companies it now owns, mainly through the Briggs and Marsham groups, now control about 20 per cent of tyre distribution in Britain, though about half of their sales are of other makers' tyres.

does seem "natural." It does not, incidentally, inhibit other forms of competition between the makers: apart from quality, the makers since early 1954 have been offering competitive additional discounts and rebates to dealers over and above the basic discount most of them observe. The makers are now thus fixing identical prices but not in effect charging identical prices themselves (even in the period between 1947 and 1953, when standard discount terms were agreed upon, Dunlop and other makers used to give additional secret "allowances" to certain customers). To some extent, therefore, there is price competition in the effective prices that a dealer can pay: but the manufacturers do not allow him to pass this on to the consumer.

Should these manufacturers—by exercising the right of individual resale price maintenance—be allowed to deny the tyre trader the chance to attract business to the extent that he can reduce his own costs, and the tyre customer the chance to buy at competitive prices? The majority of the Commission consider it would be against the public interest for them to be able to do so, and their recommendation is logical, if uncomfortable for the President of the Board of Trade to whom it is

£ s d of TV

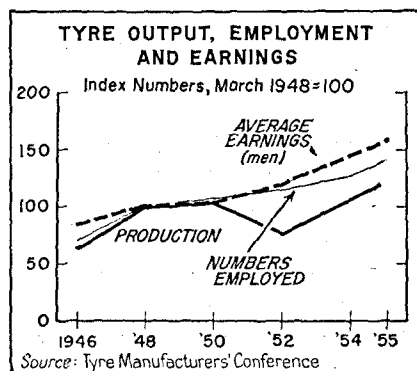
COMMERCIAL television has made its first commercial mistakes. Financially, their consequences are not serious; and a bare three months' operations give no permanent answers about the effectiveness of the new services. Some recent comment about the troubles of the programme contractors has been much exaggerated. Commercial television is far from mature, but it is not dying in infancy. The test is whether the programme contractors and the advertisers—for both have had their troubles—show in coming months that they have the imagination and ability to get a firm grip on a difficult medium.

The poor financial results that will certainly emerge from the first year's London programmes were budgeted for long before the service was opened; they would still have been poor even if the planning of programmes and the choice of advertising rates had been perfect from the start. The sharp changes in programme plans and advertising rates made in the last week or two by the two London contractors are one stage in what may conceivably be a long process of finding a permanent success formula. Each contractor had to show financial resources of at least £1,250,000 on the assumption, supported by American experience, that its operations would show three years' loss before they began to pay. The results for a mere three months cannot determine the outcome, but they have taught some sharp lessons.

The two London programme contractors are Associated-Rediffusion, which puts out the five weekday

addressed. For Mr Thorneycroft, in the legislation he is proposing to introduce to regulate restrictive practices, has said he will make individual resale price maintenance more clearly enforceable in the courts. It is at least possible that a number of other trades that quote identical retail prices are in a similar situation to the tyre industry, where price leadership with or without binding agreement is to be expected. The Monopolies Commission, by singling out a kind of business situation where the only effective way to introduce any price competition at all may be to deny this now normal right of individual resale price maintenance, has done the Board of Trade an inconvenient service, and might conceivably save it from a mistake.

Whether resale price maintenance can be justified generally or in special cases is one highly debatable question; whether, if generally allowed, it can be abolished out of hand in the tyre trade is another. But the first question for Mr Thorneycroft is how these findings can be reconciled with his quite reasonable idea of taking away one excuse for the existence of secret trade tribunals by telling manufacturers to enforce their own price maintenance through the courts.



programmes, and Associated Television, which transmits during the weekends. It is a reasonable guess that the cost of putting out seven hours of programmes a day, seven days a week, is running at between £8 million and £9 million a year. The advertising revenue of the London station, on an equally rough and ready calculation, could reach between £7 million and £8 million, leaving a deficit of £1 million. People close to the business expect that the bulk of that loss will fall on Associated-Rediffusion, the weekday programme company, while they expect Associated Television to cover, or almost to cover, the cost of its Saturday and Sunday programmes. Neither guess makes allowance for any return on capital sunk in the business by the two companies.

Such results were not unexpected. Associated-Rediffusion assumed the heavier commitment when it undertook to put out five days of programmes compared with Associated Television's two. It had to engage a bigger staff, in a greater hurry, and had less chance of hand-picking them for their television experience. Heavy capital expense was incurred on the sheer floor area needed to get enough studios for 35 hours of programmes a week, and the pressure to produce them has left the less opportunity to argue about costs and to scrutinise estimates. These responsibilities were not undertaken blindly or without full knowledge of what they implied; the present loss is fairly close to, and in fact a little below, Associated-Rediffusion's original calculations. At the present high level of production

costs, the company would break even only if it could sell 90 per cent of the time allowed for advertising; bookings are in fact running at 70 to 75 per cent.

The first broad estimates about income and outgoings have turned out much closer to the mark than the first estimates about audiences. The advertising rates of both contractors were first fixed on the assumption that there might be a small but selective audience for programmes in the morning and late afternoon, a rather larger and more general audience in the early evening, a peak popular audience between 8 p.m. and 10 p.m., and a diminishing but still substantial one in the last hour until the programme closed at 11 p.m. During peak hours, advertisers were asked to pay sums of the order of £1,000 a minute for advertising time.

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These calculations have been broadly true of audiences on Saturday and Sunday, but not of audiences during the week. During the peak viewing hours on weekdays, the number of viewers has been known to see-saw within the space of half an hour from 90 per cent down to 10 per cent of the total potential audience, and to fluctuate sharply during the whole evening. These oscillations have much perturbed the advertisers. They book their time without any guarantee of the precise moment when their advertisement will come on the screen. All that the contractors promise is that when an advertiser has booked peak time at the top rates on a given evening, his advertisement will be screened some time between 8 p.m. and 10 p.m. on that day. But because of the violent fluctuations in the size of audiences during those hours, some advertisers have found themselves paying peak rates when there happened to be only a tiny audience.

A fluctuating audience is part of the price that Associated-Rediffusion has paid for its ambitious attempt to fill five days' programmes at a stretch with so little time to prepare them. The quality of the programmes has been uneven, but it is not quality alone that has counted. The new audience begins to twiddle its television knobs the moment when a programme ceases to tickle its fancy. It revels in the freedom of choice granted to it under the Television Act and switches over readily from commercial to BBC programmes and back again to avoid any undue strain on its cultural loyalties.

Perhaps the wiser course would have been to start with fewer hours' programmes a day, instead of attempting to find material for seven hours of almost unbroken transmissions. It is easy to be wise now; and Associated-Rediffusion has acted quickly and rationally in altering the length and the timing of about forty programmes, and in re-shuffling the advertising rates in force at different times of the day. The changes in rates are especially interesting in that they reflect three months' data about the behaviour of London television audiences. The 90 minutes between 4.30 and 6 p.m. are now classed as off-peak times when

advertising can be bought at £325 a minute; previously the whole afternoon between 3 p.m. and 6 p.m. was charged for at the basic rate of £650 a minute. The hour between 7 p.m. and 8 p.m. is divided in the same way, the first 25 minutes being classed as off-peak and the next half-hour qualifying for the basic rate. From 7.55 p.m. to 10.5 p.m. is the peak rate period, for which Associated-Rediffusion charges at £975 a minute. The last 25 minutes of transmission, between 10.35 p.m. and 11 p.m. have become off-peak times. These changes sound confusing but they appear reasonable; they are designed not to increase the total revenue earning capacity of an evening's advertising but to take a more realistic view of the differing size of audiences at different times of day and to fit the rates, as far as may be, to the viewing public. They should make it easier than before to get an advertisement inserted at roughly the kind of time when the advertiser would like it to appear.

The scheme extends the peak two-hour period by five minutes in each direction, and still leaves Associated-Rediffusion with the necessity to iron out fluctuations in the size of the audience at peak times. This is a matter of programme planning and has been taken in hand. The morning programmes, however, call for separate comment. Associated Television has been largely free of the troubles that have surrounded the Associated-Rediffusion evening programmes, thanks to a more compact organisation with much experience both in television and stage production. Neither company, however, succeeded in building an audience for its morning programmes. This discouraged advertisers and has impelled both of the companies to drop morning transmissions.

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The advertisers who provide the service's revenue also have lessons to learn. Some have not succeeded in suiting their advertising approach to the product they are trying to sell. Others have made the error of spending too high a proportion of their total advertising budget on television—a dangerous step when the medium is so new and when the results can hardly fail to disappoint them. Others have been so discreet in their advertising methods that it is occasionally difficult to discover what they are selling. Most of them are temporarily mesmerised by the size of the audience and want to book at the peak viewing hours, even though plenty of advertisers would get a better return at an off-peak time when specialised programmes were attracting an audience more suitable for their product. Changes in advertisers as well as in programmes are likely.

The audience for commercial television may occasionally prove fickle, but it is growing at a gratifying rate. From not much over 100,000, the number of receivers in the London area able to receive both programmes has risen to at least 450,000 and may be as high as 550,000 and has grown at this pace in three months. There seems to be general agreement that

the audience divides fairly equally between the BBC and the commercial service; this, broadly, is the finding of the different audience measuring services.

The total potential audience for the Birmingham transmitter opening in February is roughly half that of London, and the possibility of sharing programmes on this growing network should lead to a sharp drop in programme running costs. But experience in London has cast its shadow across Birmingham, and advertisers are not so enthusiastic about booking time during the weekday in that region as they are during the weekend. This has its ironic side. The weekend programmes, although they will be put out by Associated British Cinemas, will be largely those provided for London by Associated Television. Associated Television will be responsible for transmitting during the week in Birmingham, but would normally take most of the programmes put out in London by Associated-

Business Notes

A Breather for Markets?

IF the three week Stock Exchange account that opened on Wednesday and will extend over the end of the year should produce steady markets with occasional rises, this would be welcome indeed to many institutions, including the banks and the insurance companies, that make up their accounts to December 31st. They have an inconvenient fall in the market values of their portfolios which has absorbed most of, and in some cases more than, the surpluses over book values that were common enough a year ago. At the opening of the account markets showed the right signs. After a dip on the first two days of the week industrials rallied on Wednesday and the *Financial Times* index at 198.6 shows a net gain of 2.4 on the week. The index of government securities does not flatter the market. At 90.39 on Wednesday it showed no change compared with Tuesday and a net fall of 0.31 in a week. In fact there was a fairly widespread demand on Wednesday, a few prices advanced and the government broker took no action to hinder the advance.

There is a further reason for feeling that the gilt-edged section of the market may now enjoy an interlude from pressure. The success achieved for the Liverpool loan was maintained with a firm opening for the new stock which was bid for at $\frac{1}{2}$ premium, but this success was not won without toil, and probably some of the allottees had been persuaded to apply for a little more than they intend to hold permanently. Of other recent issues, there is probably some Glasgow and Rhodesia stock that still has to find a home. Even if it had not been for the programme of steel denationalisation offers—Consett is only one of a group of selling operations that the Iron and Steel Holding and

Rediffusion. So ATV's very success in London during the weekend is working against it in Birmingham during the week. The company plans to use some of its own stock of filmed programmes already shown in London to reinforce the weekday programmes taken from Associated-Rediffusion but this cannot be a permanent solution. The troubles of the programme contractors in London are essentially the problems of over-rapid growth and inadequate preparation, and they must be set right by experience. The basic commercial structure of the service seems, if anything, a little more solid than when the programmes began three months ago and the big advertisers show no sign of having been cruelly disappointed during this probationary period. But these are early days; what would happen if the boom in consumption were to falter or if newsprint became more plentiful would be another story.

Realisation Agency hopes to do shortly—there would have been strong arguments in favour of giving the market a rest to digest the recent gilt-edged issues.

The Consett offer impinges to some degree on both the gilt-edged and the industrial sections of the market, since former members of the company may tender Treasury 3½ per cent stock 1979-81 taken at £84 14s. 3d. per £100 stock. It was heavily applied for and resort to the ballot box is a certainty. Heavy over-subscription does not necessarily point to a big premium when dealings start but a premium of some sort is a reasonable hope. Indeed a feature of the difficult markets of the last few weeks has been the ready taking of ordinary share issues—perhaps because a fair section of investors who had pulled out of the market had cash in their bank accounts that could be used. With fixed interest stocks investors are more exacting. An important refinancing operation this week was the placing by Vauxhall Motors of £7½ million of 5½ per cent unsecured loan stock 1962-69 at £99 10s. 7d. per cent. The issue, done privately through Morgan Grenfell and Co., will provide a further portion of the money for Vauxhall's £36 million expansion programme. It shows a striking contrast with Vauxhall's previous issue of unsecured stock in September last year—4½ per cent at £100 10s.

Record Steel Output

STEEL output last month reached a record rate of about 21½ million tons a year, and the Iron and Steel Board this week forecast that the steel industry might be able to produce 21 million tons next year. November is always a month of high output in the seasonal pattern: last month's

figure makes it fairly certain that the total for 1955 ought to exceed 19½ million tons. Pig iron output last month was also a record: it reached an annual rate of well over 13 million tons. Some of that output came from a second big new blast furnace at Shotton, which was blown in last month; early next month the fourth furnace at Margam will be blown in.

The industry's capacity is thus rising and will continue to rise during next year—though production is not rising as fast as in Western Germany, which this year passed Britain to become the world's third largest steel producer, after the United States and Russia. Although the current order load underwrites production well into next summer, the industry is beginning to wonder whether steel demand will hold up enough to take the 21 million tons it is likely to be able to produce. These fears are customary and recurrent in the steel industry, but the pattern of deliveries gives them some weight. The biggest increases in steel demand this year have been from the motors, cycles and aircraft group, and drop forging (which works largely for this vehicles group), and from building. Even if total building activity levels off next year, the present state of orders for new factories suggests that structural steel may remain in high demand. But the prospects of the motor industry are now beginning to look rather uncertain—to the steel industry among other people.

Where the Squeeze is Pinching

THE latest quarterly classification of bank advances provides the first published guide to where the bankers' axe is falling; and, in addition, it gives the most accurate measure yet of the total amount of the chippings. In the three months to mid-November, aggregate advances made within Great Britain by all members of the British Bankers' Association fell from their all-time peak of £2,215 million to £1,981 million. Of this reduction of £234 million—easily a record quarterly fall—nearly £126 million is attributable to the repayments by the Gas and Electricity utilities from the proceeds of the calls on their public issues, which amounted to £190 million in this period. The reduction in all other advances thus amounts to £109 million—also a record fall.

The most striking fact that emerges from the detailed classification is that, whilst the bankers' restrictive pressures are apparent in almost every borrowing group, much their sharpest impact has been upon the personal and professional group. Advances in this big omnibus category were reduced by almost £34 million in the three months, or by 8½ per cent. This reduction is twice as large as that achieved at the height of the 1952 squeeze; and it almost restores the total for this group to the lowest point reached in that phase of contraction. Credit for the personal sector may also have been squeezed through pressure upon the hire-purchase finance houses, whose bank advances have been reduced at last—by £8.2 million to £36.9 million. But these advances still stand some £6 million higher than in February, despite the fact that no new credit lines have been granted since then. The advances of local authorities fell in the latest quarter by £11.1 million to £83 million, those of stockbrokers by £5.4 million to £8.8 million, and of miscellaneous financial borrowers by £7.4 million to £168.9 million.

The nineteen industrial and trading groups accounted for only just over £42 million of the reduction of £98 million shown by all categories within the private sector of the economy, or by only half as much as they fell in the equivalent quarter of 1952—when, however, the dominant influence was the impact of the steep fall in raw material prices upon the cost of financing stocks. In some categories the decline is partly due to seasonal causes. This is true in the textile groups (down by £21.8 million, but the £9 million fall in wool textiles must reflect the fall in price) and also in agriculture (down by £8.8 million) and building (£5.2 million). On the other hand, the repayment of £5.4 million by the retail trade group appears to be against the seasonal trend; and many groups whose borrowings are not subject to marked seasonal influence have shown small reductions.

The borrowings of six of the nineteen groups are now below their levels of a year before, whereas in August that was true of only two. Only five categories are still substantially above their 1954 levels. They are: food, drink and tobacco, by £31.3 million to £168.3 million; engineering, by £26.9 million to £167.2 million; agriculture and fishing, by £13.4 million to £234.1 million; building, by £8.6 million to £70.7 million; and shipping and shipbuilding, by £8.5 million to £24.8 million.

Britain Pays Up

THE Chancellor, as expected, announced in the Commons this week that Britain will make the full payments of interest and principal on the United States and Canadian loans when they fall due on December 31st. The payments comprise \$119.3 million on the United States loan, \$18.8 million on the lend lease settlement, and \$37.7 million on the postwar Canadian loan. Of the total of \$175.9 million, \$105.3 million is interest and \$70.6 million principal. The total service charges that Britain has made on these loans will thus be brought to nearly \$916 million. The first instalment fell due at the end of 1951, and since then full payment has naturally been regularly made each year. The provision in the 1945 loan agreement for a waiver of the interest payment if it could be shown that certain complicated conditions relating to Britain's balance of payments were satisfied has not been invoked.

Two further regular loan payments fall due this month: \$7½ million for the quarterly instalment on the Canadian interest free loan of 1942, and \$4 million for interest on certain loans received under the European Recovery Programme. The total strain on the reserves will thus amount to \$187½ million.

Disappointment from Dorman Long

DORMAN LONG may be the exception. Colvilles and Stewarts and Lloyds have both paid higher dividends than those forecast in their offers for sale. Dorman Long has not. Its ordinary dividend is to be 8 per cent, as promised in the offer for sale, as paid for 1953-54 and as paid during many years before nationalisation on a different capital. Yet there is a wishful note in the directors' comment on the dividend which suggests they would have liked

to be more generous if they had believed it wise. Having pointed out that the loan facilities arranged with FCI turn on the maintenance of a 8 per cent dividend, they say:

The profits for the year show a substantial increase but the estimated cost of completing the major development programme and providing for working capital requirements has also risen appreciably, and the rise still continues. In these circumstances, the directors have not recommended any change in the dividend for the year.

Just over a year ago the cost of the three-year development programme, running up to September 30, 1957, was put at £38½ million, of which about £8½ million was to come from Dorman Long's own resources.

	Years ended	
	Oct. 2, 1954	Sept. 30, 1955
<i>Consolidated earnings:—</i>		
Trading profit	8,191,706	12,095,390
Repairs, etc.	120,318	551,462
Depreciation	1,530,258	1,746,708
Replacement reserve	...	1,000,000
Profit before tax	6,541,130	8,797,220
Non-recurring credits	256,722	309,199
Income before tax	6,797,852	9,106,419
Taxation*	3,325,390	5,064,048
Net income	3,264,496	3,764,199
Ordinary dividends	659,891	690,000
Ordinary dividends (per cent)	8	8
Retained by subsidiaries	251,925	2,777,344
Retained by parent	2,352,680	282,981
<i>Gross profits of subsidiaries:—†</i>		
Iron and steel	3,119,000	4,818,000
Engineering and bridge	2,853,000	3,302,000
Chemicals	265,000	286,000

* Including investment allowance reserve (1954: £289,400; 1955: £740,900).

† After charging depreciation, replacement, repairs and minority interests.

Like the other steel companies, Dorman Long makes a substantial reserve for the increased cost of replacing fixed assets. Iron and steel prices take some account of depreciation on a replacement cost basis and the provision of £1 million is a reflection of the extra cost of depreciation on a more realistic basis than on historical costs. The trading profits show an advance of about 48 per cent—an advance much more in line with that recorded by Colvilles than with the one achieved by Stewarts and Lloyds. The directors take pains to point out that these profits include substantial credits arising from increases in the prices of trading stocks and the benefit of higher prices from export sales as well as the effect of plants working up to and in some cases above normal capacity. The controlled maximum prices of iron and steel products sold at home, they explain, are based on plants working at an average rate below normal capacity.

Santa Claus in Cement

THE undertaking given by the Cement Makers' Federation not to raise home prices for portland cement before at least the end of next June will be significant in contributing to a stabilisation of industrial costs only if, as the federation itself argues, many other industries follow

suit. But the federation believes somebody must give a lead and it is hoping that its own announcement will be the snowball of a much wider movement. As a start, it has been in touch with other building materials industries; the response, however, has not been exactly what it would have wished. Plasterboard makers associated themselves with this week's statement and the federation expects one or two others to do so later, but some of the others it approached declined.

The federation would have liked to commit itself in advance to a period longer than six months, since it has increased its prices only twice in the last two years. As cement output has grown—by an average of about 4.5 per cent a year over the last three years—and as their efficiency has improved, cement makers have been absorbing a large part of their own rising costs. But nearly two-thirds of these costs, including coal, electric power and transport, which between them make up almost a half, are outside the industry's control. Nevertheless, cement makers have certain advantages for this purpose that other industries lack, such as a central price fixing organisation, a lower labour element in production costs, and an unsatisfied export market. This year they are exporting about a seventh of their total output of rather more than 12 million tons at prices still appreciably above those they charge customers here; export prices, moreover, are once more showing signs of hardening, so manufacturers should have little difficulty in shipping more cement abroad should home demand next year happen to ease a little. However, it would be churlish not to applaud the initiative of the industry in taking this step. It would not be sanguine, on the other hand, to expect their snowball to grow much larger.

Cotton's Two Options

NOR easily will the cotton trade take No for an answer. Its request for protection against the duty-free imports of cotton cloth is now being pursued along two channels. First the Cotton Board's revised claim for protection has been presented to the Board of Trade, and an earlier intention to delay it has been abandoned. Secondly the suggestion of an independent inquiry into Lancashire's case for protection against the Commonwealth has been pursued tentatively a little further. The suggestion arose at a recent meeting at which Lord Derby presided. The industry has not so far committed itself to that idea but a group from all sections met in London this week at Lord Derby's invitation, so that the idea could be explored further. The cotton men who met him in London came as individuals and not as representatives of the Cotton Board.

Trade Gap Widens

THE adverse balance of visible trade—the excess of imports cif over exports fob—widened from £52.8 million in October to £70 million in November, and have aroused fresh questionings about the power of the dearer money medicine to curb excessive imports. The figures have

had a mildly depressing effect on investment markets where greater caution may not be misplaced; but in truth the figures of a single month cannot carry undue weight in the argument. For over a year the trade figures have been distorted by dock and rail strikes, by the expectation of those strikes, and by their long aftermaths. Plotted individually the monthly figures look like the edge of a misused saw; the chart attempts to minimise, but not to eliminate, these abnormal factors by plotting the figures (except for the last two months) as twelve monthly averages.

It shows the characteristics of a vigorous and carefree economy marked particularly by rising imports. In the first eleven months of 1955 the value of exports averaged £241.1 million a month, little short of 10 per cent above the average for the same months of 1954. But the average value of imports for the same months was 16 per cent higher than in 1954. Against that background the latest month's figures are, as the Chancellor claimed in the closing stages of the Finance Bill debate on Monday, disappointing but not conclusive.

British exports in November at £262.2 million were £5.5 million lower than in October but were still the third highest figure ever recorded. Imports in November at £242.2 million were £8.8 million higher than in October but were still some distance from the record. Re-exports jogged along at £10 million, a decline of £2.8 million on the month but about the recent average. The adverse balance of £70 million was substantially higher than in either of the two preceding months, but still a little below the average of the first 10 months of 1955 which was £72.2 million. It is also possible to draw a little comfort from the high rate of British exports to the dollar markets. At £28 million in November these were £5 million less than in October and £1.4 million less than the monthly average of the third quarter of this year, but they were well above the rate that was running through 1954 and in the first half of this year.

The Gourley Case

IT has been a disturbing autumn for those who thought they understood some of the simpler principles of taxation. Hard upon the shock which the decision in *Sharkey v Wernher* gave to believers in the notion that a man cannot make a profit (or loss) out of trading with himself comes the House of Lords judgment in *British Transport Commission v Gourley* which upsets the practice of assessing damages for loss of earnings which had been judicially (although, as now appears, erroneously) approved for more than twenty years. In the lower courts Mr Gourley (who was a victim of a railway accident) had been awarded £47,720; £10,000 as a solatium for pain and suffering undergone, and £37,720 for loss of future earnings. The Lords, by a majority of six to one, accepted the contention

of the Commission that this latter sum should be reduced to £6,695, the difference of £31,025 being the estimated income tax and sur-tax which Mr Gourley would have had to pay if he had received this gross sum as income in a normal way.

The majority view was based on the principle that the injured person should be placed in the same financial position as he would have been in if the accident had not happened: taxation is imposed by law and, although not actually a charge upon earnings, is expenditure which must be incurred as a necessary consequence of their receipt; it is, therefore, relevant to the ascertainment of the loss sustained. The Lords would not concern themselves, in an action for damages, with the rights of third parties—the loss of the tax that the Revenue would have expected to receive if Mr Gourley had not been incapacitated.

The authority of a House of Lords judgment cannot be questioned, except by Parliament. But many laymen, with all proper deference to their Lordships, will feel that the substitution of net earnings after tax for gross earnings before tax as the measure of damages will be unfortunate. In 1946 Lord Keith (who was the dissident on this occasion) stated in his judgment in *Blackwood v André* that the incidence of taxation was a matter of no concern in the assessment of damages. At best it can only be an uncertain estimate: income tax is an annual tax and rates can change, sometimes even to the taxpayer's advantage. Nor can the future of sur-tax be safely assumed; if Mr Kaldor had his way it would be replaced by an expenditure tax from which, presumably, expenses met out of net damages received for personal injuries would have to be specifically exempted if injustice was to be avoided. At present, too, damages are not taxed again in the hands of the recipient but there can be no certainty that such freedom will continue: the Royal Commission recommended that lump-sum payments by way of compensation for loss of office should be chargeable, and although they excluded damages for personal injuries there is no assurance that Parliament would necessarily agree with them. And finally there is no doubt that the income that Mr Gourley receives from investing the "netted down" sum of £6,695 will itself be taxable.

If the object of the exercise was to put Mr Gourley in the same position as he was before he was injured, would not the fairest way be for the Transport Commission to pay him gross annual sums representing his loss of earnings which would then be taxable in his hands?

LIFO Knocked Out

THE iconoclasm of the House of Lords in the Gourley case is in direct contrast with the conservatism of the decision of the Judicial Committee of the Privy Council in *Minister of National Revenue v. Anaconda American Brass, Ltd.* This important appeal was against the finding of the Canadian Supreme Court that trading stock might properly, for taxation as well as for other purposes, be valued on the LIFO—last in, first out—basis. The Judicial Committee allowed the appeal: in the legal arena LIFO has taken the count, and its rival, FIFO—first in, first out—is in command of the ring.

The problem of stock "valuation" has been extensively rehearsed in recent years: it is recognised that it is not really a "valuation" of the stock unsold, but an accounting device which is necessary in order to arrive at the true costs of the stocks that have actually been sold during the trading period. The Revenue Authorities in this country have always held that FIFO alone achieves this result, and were supported as recently as 1953 by the Court of Appeal in the *Broadstone Mills* case. The Royal Commission, however, regarded the Revenue's view as "a very large claim": the tax code, it held, laid down no rules for "valuing" stock; FIFO had no special sanctity, being itself no more than an estimate, and other methods could be and are used with equal propriety for ascertaining commercial profits. The Commission recommended, therefore, that different businesses should be free, with suitable safeguards, to adopt the method which best suited their particular commercial needs.

The conditions which justify the adoption of LIFO as a proper and generally accepted method of accountancy were conspicuously present in the *Anaconda* case, and the decision of the Judicial Committee had been awaited in the hope that it might lead to some rapprochement between the fiscal and the commercial concept of profit. That hope, short of legislation, now seems to have gone, and the time has therefore come for Parliament to take a hand. "Profit" is a much abused word which has already far too many different meanings. But when Finance Acts charge "profits," the charge ought to be on profits computed in accordance with sound and accepted commercial and accounting principles. No question of avoiding tax comes into the argument at all; LIFO can cut both ways, beneficial on occasion, and pre-

judicial on other occasions. But there would be much practical relief, and no critical danger to the revenue, in a system that gives words their practical meaning and does not promote schismatic definitions.

Commercial Demand for Sterling

DESPITE the disappointing trade figures for November sterling has this week made a striking recovery. In terms of US dollars it has risen from \$2.80 $\frac{3}{8}$ to \$2.80 $\frac{1}{2}$. A similar improvement in sterling has occurred in terms of most European currencies. The movement was set off in the United States by substantial commercial demand for sterling, some of it for seasonal payments for wool. The covering of the sterling needed to make these payments had, as is now usual, been postponed to the last possible moment and the rush when the exchange had to be bought caused a movement in the rate out of proportion to the volume of business. New York has also been a buyer of transferable sterling, the rate for which has risen this week from \$2.77 to \$2.77 $\frac{1}{2}$. On the Continent, where bear accounts in sterling have been increased in recent weeks on rumours of Mr R. A. Butler's possible departure from the Treasury, this sharp rise in the sterling-dollar rate has frightened speculators and caused bear covering.

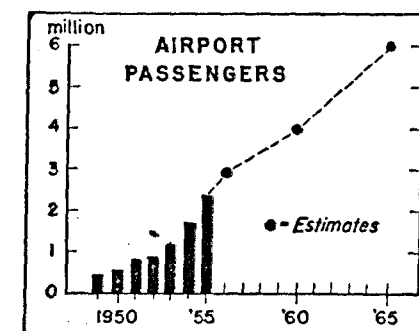
But in security sterling the exact opposite has happened: the premium on dollar stocks in London has reappeared. The premium on these stocks ran off completely in mid-

Getting to the Airport

THE central passenger terminus at London Airport, which was officially opened by the Queen this week, is expected to be in full operation in 1959; by then some 3 $\frac{1}{2}$ -4 million passengers a year may be travelling through it, as against nearly 2 $\frac{1}{2}$ million this year. For most of them, and for the friends and sightseers who see them off, road transport will still be the only practical way of reaching the airport from the heart of London. BEA has been running an experimental and subsidised helicopter service to and from Waterloo since July, lifting about one passenger in 250, but this is shortly to be withdrawn. If the service is resumed when more suitable helicopters become available in a few years' time, it is still unlikely to cream off more than an upper crust of airport passengers.

Road traffic should be eased when the scheme to extend Cromwell Road to bypass Hammersmith has been completed; this is expected by 1959—apart from one important flyover. But this new road, first mooted long before the war, can hardly be more than a palliative for traffic bound in both directions for the airport, the trading estate there, and for destinations further on.

Two or three years ago about 85 per cent of all air passengers travelled between the airport and London in the airlines' own coaches. This year the proportion is about a half, and it is still falling rapidly. But the total number of airport passengers has meanwhile swelled from a million to nearly 2 $\frac{1}{2}$ million—including traffic transferred from Northolt in 1954—which means a



marked growth in the number of private cars converging upon the Great West Road.

The prospective traffic needs of 1965, and beyond, when the airport may be handling 6 million passengers a year,

measure the two schemes recently presented to the Minister of Transport. One, put forward by the Transport Commission and BEA, is for a loop line to be laid from the Waterloo-Windsor electric railway near Feltham, with, presumably, a tunnelled approach under the south side of the airfield. No details of this plan have been published, except that its cost will be of the order of £10 million.

The other plan revives the idea of monorail services for short-distance, high-density routes. It was discussed by Mr Peter Masefield in an address to the Institute of Transport recently, when he envisaged an overhead system, suspended from pylons, with cars travelling at 150 mph and taking 5 minutes for the 10 $\frac{1}{2}$ mile journey. But on his calculations the service would break even only if it carried 8.8 million single-trip passengers a year, each paying 5s. 6d. for the round trip, or just under 5 million paying the present coach fare of 5s. both ways. The very limited experience of monorail operation and the 10 miles of steel girders stalking out of London may not give this scheme a marked appeal. But it is to be hoped that one, at least, of these plans escapes the pigeon hole.

September and the quotations remained near parity until November 28th, when a small premium of $\frac{1}{4}$ per cent returned. This week the premium took a sudden leap to $1\frac{1}{2}$ per cent though it has since fallen to 1 per cent. The rise in the premium was due to a small demand for dollar securities from resident institutions, which found the dollar premium market bare. It is probable that during the ten weeks or so when the premium had run off altogether a sizeable amount of dollars, resulting from sales of dollar securities by British residents, were transferred to the exchange control instead of being reinvested in other dollar stocks. Once sold in this way the dollars are lost to the security market. The period during which the premium on dollar securities in the London market ran off also saw the rate for security sterling fall to \$2.744. This is the rate which non-residents pay for blocked sterling they wish to invest in sterling securities.

Airwork Leaves the North Atlantic

THE air freight service across the North Atlantic opened by Airwork nine months ago is closing down. This is a blow to the development of traffic in air cargo and to the hopes of the British independent airlines. The company is still convinced that there is enough traffic in both directions to support a regular cargo service carrying consignments of a size and shape that would not fit easily into the hold of a passenger-carrying airliner and it bitterly attributes the failure of the new service to the conditions under which it had to be operated.

Airwork flew three times a week in each direction, and carried full loads on the outward journey. But air cargo to Europe tends to by-pass London Airport and to fly instead to airports like those at Amsterdam and Frankfurt that provide "free port" facilities for cargo in transit. Airwork has not been able to get what might otherwise have been its share of freight in transit, for example, to Africa and the Middle East. This question of "free ports" in Britain has been argued about for many years. Customs and Excise have consistently maintained that the British system of bonded warehouses and duty rebates adequately meet the needs of transit cargoes even though some of the biggest and most prosperous ports in Europe prefer to set aside special "free" areas for transit cargoes where no customs formalities of any kind need to be observed.

The company also complains that its cargo licence deprived the service of the flexibility it needed to pay its way. The other North Atlantic all-freight services, operated by Pan-American and KLM, frequently fly chartered passengers in their freight aircraft; Airwork, under the terms of its licence, is not allowed to do so and has to watch this traffic go elsewhere. Customs regulations about the wing-span of aircraft meant that Airwork's Douglas DC6 freighters would have attracted heavy duty, while similar machines built by Lockheed or Boeing would not. These major and minor irritants, piled on an already difficult operation, have proved too much. Airwork has been losing substantial sums on the North Atlantic service and is no longer willing to do so. The service ends on December 18th. It is a sad end to a courageous experiment, and

Airwork's case that failure was due to conditions under the control of the Government and not to lack of traffic deserves a considered answer.

Cash for Christmas

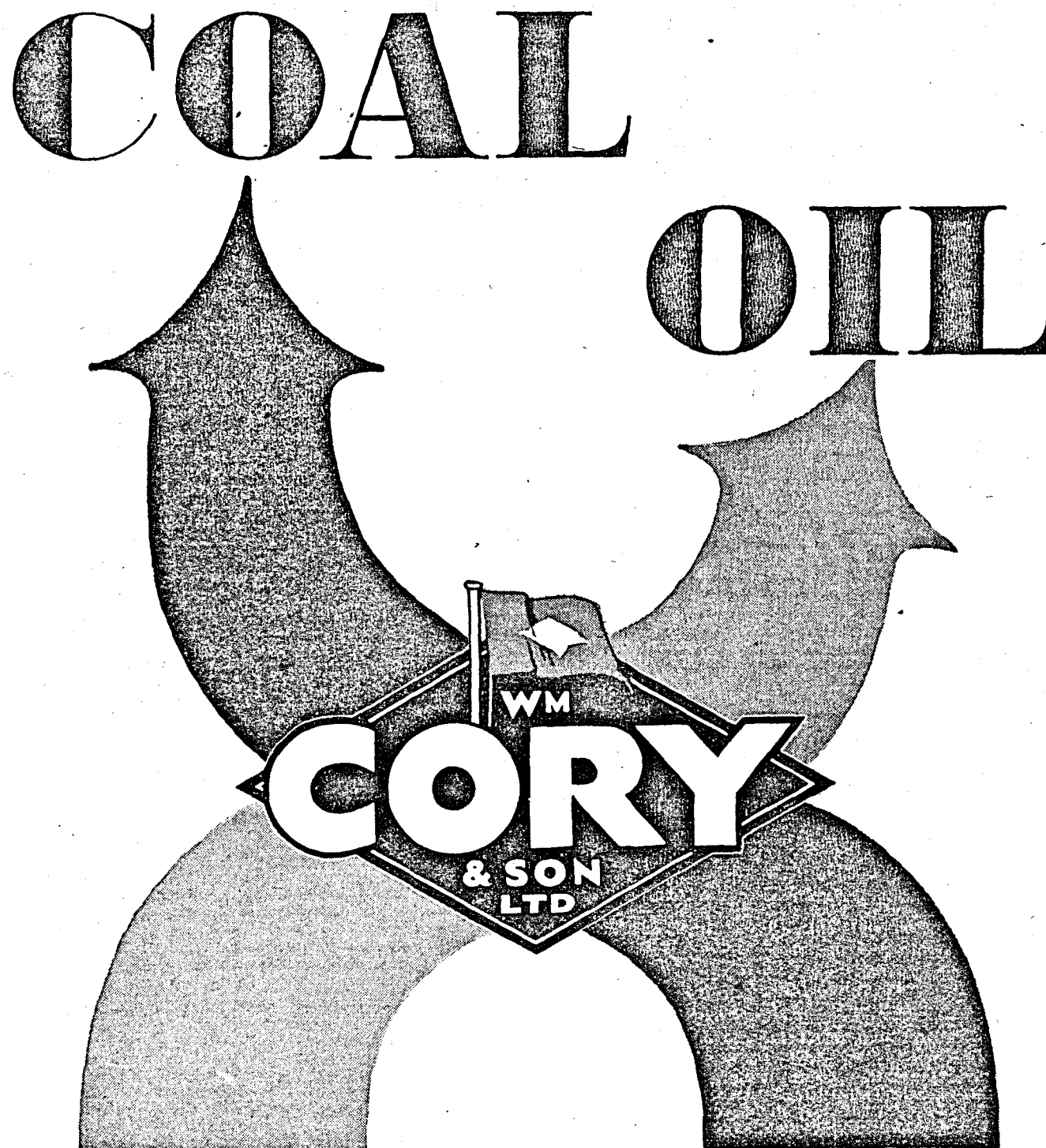
THE outflow of currency notes from the Bank of England for Christmas spending rose to £42.2 million; to accommodate it, the fiduciary issue was raised by £50 million to a new peak of £1,900 million. This efflux is the largest ever recorded in a single week; the previous record was the outflow of £40.3 million in the corresponding week of 1954. But the demand for currency in the last three weeks as a whole, at £90.1 million, has been £2 million smaller than in the similar period last year; and the proportionate expansion in the note issue in these weeks, at 5.1 per cent, has actually been the smallest since 1950. But the margin has been fractional. Moreover, another rough indicator of the pace of spending, the trend of national savings, provides no suggestion of restraint. The deterioration that became marked in the summer has been intensified in recent weeks—notwithstanding the special stimuli given by the new 4 per cent defence bonds and the increase in the maximum permitted holdings of savings certificates. In the three weeks to December 3rd net receipts from these sources and by the post office and trustee savings banks were just about balanced by encashments and withdrawals—whereas in the corresponding three weeks of 1954 there was a net receipt of over £21 million.

Inspecting Automation

SIR GEORGE BARNETT, Chief Inspector of Factories, is in as good a position as any man to watch the development of automation in Britain: his annual report, in spite of its inevitable emphasis on how factories go wrong, accidents, also packs in a comprehensive summary of the new ways in which factories are beginning to go right. In the report for 1954, published last week (which again includes

THE SIZE OF BRITISH FACTORIES
1936 AND 1954

Size Group	Number of Factories		Number of Workers	
	Shown as Percentage of Total			
	1936	1954	1936	1954
1- 10	...	69.1	...	7.9
11- 25	...	13.7	...	7.0
1- 25	76.9	82.8	12.8	14.9
26- 50	8.9	7.4	8.1	6.3
51- 100	6.2	4.4	11.3	10.2
101- 250	5.1	3.2	20.5	16.1
251- 500	1.8	1.3	16.0	13.9
501-1,000	0.7	0.6	12.5	12.3
1,001-2,000	...	0.2	...	9.9
2,001 or more	...	0.1	...	14.4
1,001 or more	0.4	0.3	18.8	24.3



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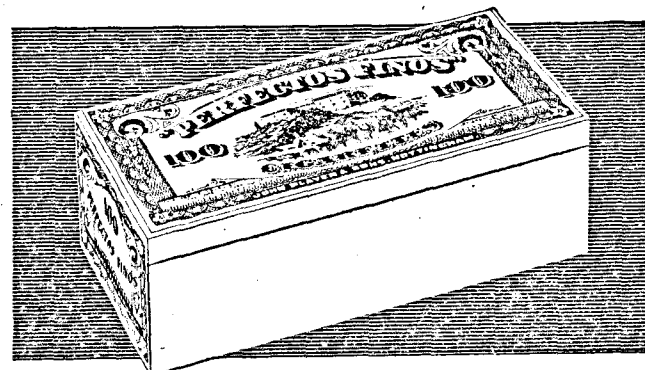
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a classification of British factories by size groups) he says that the mechanisation of production continues to increase in many industries and "in some the whole pattern of the manufacturing process has in fact altered." The greatest advances are being made in the industries that handle raw or finished materials in bulk—oil refining, chemicals, gas and cement, the process industries where automatic control and instrumentation is already used fairly widely; but "machines for the mechanical handling of piece and other goods continue to be devised with almost bewildering frequency."

Coffee More Confident

THE return to freer trading conditions in coffee that occurred six months ago is producing results in the market sooner than most people expected. No longer is the trade so afflicted by loss of confidence in the exporting countries' exchange policies that it keeps its stocks down to a minimum; no longer are supplies in the producing countries piling up unsold. Freer marketing conditions have encouraged a heavier volume of trade, especially to the United States, where shipments have been running at double the 1954 rate. Roasters' stocks, which had been reduced by about 4 million bags (of 132 lb), are almost back to normal, despite a moderate recovery in consumption.

But that is only half the picture. Importers are still unwilling to commit themselves far ahead, so that supplies for near delivery are short and command a premium. A firm spot market exists at a time of impending surplus. That unusual conjuncture has been maintained because shipments from Brazil, though heavier than a year ago, have been easily absorbed in the consuming countries. The marketing of Central American coffee, which usually comes forward in quantity at this season, has also been delayed by abnormally heavy rains, and the shipment of new crop East African coffee to the United Kingdom has not yet progressed far enough for supplies to be greatly eased. Consequently the price differential between Brazilian and mild coffees is now much wider than normal. Santos No. 4 spot in New York is now around 52 cents, 13 cents below Colombia spot. A normal differential would be less than half that margin.

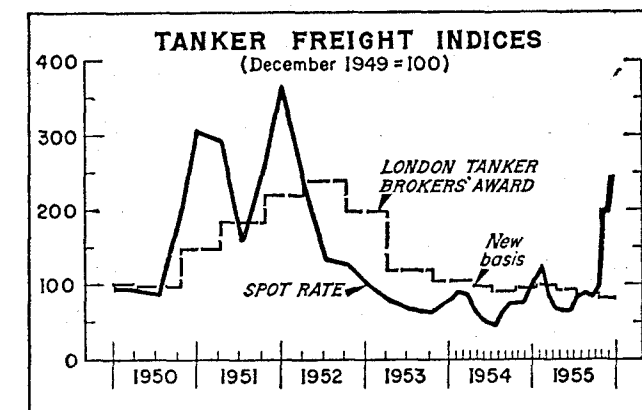
Forward buying must still be deterred by the fear that excess production this season must eventually depress prices. Indeed, even the spot price of Santos No. 4 in the New York market has recently begun to edge downwards. Moreover, importers cannot yet ignore the risk that the incoming Brazilian government may devalue the exchange rate yet again.

Tanker Freights Climb Higher

FOR the last seven weeks the tanker freight market has been climbing like a rocket. From August until the middle of October spot rates were running at just under scale rate (which is equivalent to 32s. 6d. a ton from Curaçao to London). Since then they have shot almost steadily up-

wards to scale plus 200 per cent—the rate at which some tankers have been chartered this week—with only a slight pause two weeks ago when the demand for tonnage from the Persian Gulf to North America eased for a while. This has given tanker owners with tonnage to put on the single voyage market their best winter season since 1951-1952.

Charterers have understandably been concentrating upon securing the tankers they need almost immediately, and owners have been finding it much easier to fix tankers for



loading this month rather than in January. This has also been true of consecutive voyage charters where fixtures for a few months only are now much more common. This week tankers have been chartered for three months at rates between a minimum of scale plus 125 per cent and a maximum of scale plus 200 per cent. The actual rate paid between these limits is the award made at the beginning of every month by the London Tanker Brokers' Panel, based upon market conditions for single voyage charters. This Panel makes various other awards as well, including the quarterly assessment shown in the chart. This is an average freight rate designed to cover all tanker tonnage, including the vessels owned by the oil companies as well as by the independent tanker owners.

Cash at a Discount

A FEW years ago Sir Eric Miller, the respected chairman of Harrisons and Crosfield, gave the bargain hunters a hint that conditions were reaching the point where the companies of his group operating in Indonesia might begin thinking about pulling out. Sir Eric is still thinking

"Motor Business"

The December issue of this quarterly research bulletin for the motor and allied industries will include:

The Industry's Development Programme Reviewed and the Outlook for 1956.

The Australian Market for Vehicles and Tractors. B.M.C., Standards and Routes: A Financial Assessment.

The Bulletin is fully illustrated by charts, amongst which are: Price indices of used cars and vans, new registrations in Great Britain and the hire purchase share of the market. For full particulars of this Bulletin, apply to:

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Whitehall 1511. Ext. 49.

but the point was not lost. Harrisons and Crosfield are conservative managing agents; their rubber and tea companies have built up big cash reserves largely in this country. Yet the Stock Exchange prices of the shares of many of them have fallen to a level at which the price and much more is covered by quick assets in sterling. If investors can imagine the companies putting themselves into liquidation and being able to salvage nothing from their estates and current assets in Indonesia, that would mean no disaster but a good profit for the shareholder who buys at today's prices.

Most of the Indonesian enterprises of the group have cash in excess of their market prices. Central Sumatra Rubber Estates 2s. ordinary shares for instance stand at 9d. The company has about 1s. per share in quick assets in this country plus an investment in Kulai Rubber Estate, a progressive Malayan company, likely to be worth at least another 5d. per share. Tanjong Rubber Company has quick sterling assets equal to about 11s. per £1 share and its shares stand at about 7s. No one can be surprised that the shrewd investors who discovered this potential goldfield are losing patience. Sir Eric had a tussle with Lord Blackford, chairman of the Guardian Assurance Company, at the Bah Lias meeting last June, when Lord Blackford suggested that the company should return 10s. per share in cash while still retaining ample liquid assets.

At this week's meeting of Harrisons and Crosfield Sir Eric Miller stiffened his attitude. He admitted pressure from shareholders of the group's Sumatra companies to distribute the bulk of the sterling resources but claimed that it was premature to take so drastic a step. It is easy to understand Sir Eric's reluctance. Rubber growing in North Eastern Sumatra has been a speciality of Harrisons and Crosfield. The terrain is excellent; the results once were good. Nothing is lacking except effective government, and with the ballot papers barely counted Sir Eric wants to give the new government, whoever may compose it, a fair run. Yet even if conditions improve in Indonesia some of those assets must still be surplus to any replanting that the group is likely to venture into in the near future. Sir Eric Miller must see the rubber shareholders' point of view.

Sisal in Demand

SISAL—nowadays the most important of the hard fibres—is enjoying an early and sharp recovery from its seasonal slack period and the price usually dips in the autumn, for sisal is basically an agricultural commodity, the raw material of farm twine. Barely two months ago, as the harvest in Europe and North America ended, No. 1 East African sisal fell £9 a ton from £85 to £76 a ton. Now it is up again to £81. The medium and low grades in particular are in strong demand. A year ago, by contrast, the seasonal recovery did not occur until late in December and even then prices were slow to rally.

What is the reason for the unexpected firmness this year? The harvest has been good, supplies of farm twines were well absorbed and stocks on the farms and with the spinners are both lower than they were last year. Moreover, it has not been easy for spinners to get back into full production earlier than usual, for producers are well sold for immediate shipment. The outlook for the producers now looks favour-

able. The replacement of binders by combine harvesters has been more than made good by the development of new outlets for sisal; baler twine is one of them, for baling hay and straw is growing with the improved management of grass lands. The continued limitation on imports of Manila hemp—a dollar commodity—has also enabled sisal to retain a large share of the rope market and the demand for packing twine rise when business is active. The newer and smaller uses of sisal are growing, too. Small quantities of the best grades are being used for making carpets and the drug cortisone is now being made from the sisal plant.

Demand thus appears strong. According to the Commonwealth Economic Committee, sisal now represents 62 per cent of total production of hard fibres. But it is a commodity that takes a few years to mature and production cannot quickly be stimulated. Output in British East Africa in the first ten months of this year was 176,719 tons, a mere 756 tons over the output in the first ten months of last year. The year 1955 will therefore not maintain the post-war average rate of increase in East Africa of about 10,000 tons a year. But a significant increase may well be achieved next year and even small changes in total world supplies could have a significant influence on the price of this traditionally volatile commodity.

Coal Compensation Nearly Complete

WITH the issue this week of about £5 million worth of Treasury 3½ per cent stock 1977/80 taken at Thursday's market-price of 83½, the business of paying for the nationalised coal mines is nearly ended. The mines were nationalised on January 1, 1947. Now, nearly nine years after the event, the final payment for the Lancashire collieries included in the present instalment leaves only the last fragment due for the small North Wales coalfield (well under £1 million) unpaid. There remains also a little to be paid for ancillaries of the nationalised mines, but no precise figure of that unpaid residue is available. It was roughly estimated that the total purchase price of the coal industry (the assets of coal industry value at £164,660,000 and the ancillaries) might amount to about £300 million. This week's interim payment brings the total so far paid up to almost £290 million.

Nearly all the remaining colliery companies are now in the process of liquidation or in need of money for the new trades they have developed. So the compensation stock will nearly all be sold to raise cash, and the procedure that has become standardised is again being followed. The government broker stands prepared to take the stock from the jobbers at the issue price. That is only reasonable, and not even a purist need cavil at this technical infringement of the principle that a government pursuing a tight money policy should not be a buyer of its stocks.

SHORTER NOTES

During 2½ months of the third quarter of this year the National Coal Board had the benefit of its increase in prices (though this was modified by the special arrangements for lower prices in the summer). These prices, however, were

not designed to cover the whole of the loss that the industry makes by importing foreign coal and selling it at the lower British price: the industry, in setting the new prices in July, budgeted for a continuing deficit on operations. This it is now incurring: it had a deficit of roughly £5 million for the quarter.

The motion from some of the shareholders of Union-Castle Mail Steamship Company seeking an injunction to restrain the directors from registering the transfer of the Union-Castle shares to the new company—British and Commonwealth Shipping Company—or giving effect to the terms of the proposed merger, was last week dismissed by Mr Justice Wynn-Parry. The judge held that the safeguards for keeping the new company under British control were not, as the plaintiffs had argued, illusory.

Rootes Motors has improved its offer to the shareholders of Singer Motors. The cash offer is raised from 1s. 6d. to 2s. 6d. per preference stock unit and from 1s. to 1s. 6d. per ordinary stock unit. Thus for each 16s. of preference capital the holder would receive one 6 per cent preference

share of £1 and 5s. in cash. For each £1 of ordinary stock holders will receive one preference share of £1 and 6s. cash. Sir William Rootes, the chairman of Rootes Motors, announced on Thursday that he believes his new offer to be much better than the rival one from Leadenhall Investments and Finance. He also gave the warning that his final date will not be extended beyond December 29th, and that in his view, if there is a stalemate in which neither offer receives a 75 per cent acceptance, the disintegration of the Singer business will be rapid.

The site of Northern Aluminium's 8,000 ton extrusion press is Rogerstone, near Newport, and not Rochester as was stated on page 876 of *The Economist* of December 3rd.

Continental Air Lines has ordered 12 Vickers Viscounts for use on its routes in the Western part of the United States; Viscount operations to date have been confined to the eastern half of the country. The order is valued at \$18 million and brings Vickers' total of signed orders for Viscounts up to 254.

Company Notes

HAWKER SIDDELEY. Superlatives are needed to describe the latest Hawker Siddeley results. But perhaps it is sufficient to record that within a few hours of their appearance the £1 ordinary shares rose 10s. 6d. to stand at 71s. 3d. This gain has been more than held and the shares now stand at 73s. 6d. xd. Throgmorton Street was jubilant because the purse strings had been loosened and seemed likely to be loosened still more.

First there was the handsome increase in the ordinary dividend from 10½ to 17½ per cent and then there was the promise of a 100 per cent free scrip issue, raising the ordinary capital to £23,289,400. This issue cannot simply be dismissed as a technical adjustment in reserves and capital: profits are so good that the issue could still foreshadow a further increase in dividend payments.

	Years to July 31, 1954	1955
Consolidated earnings:—		
Profit before tax	9,172,885	12,675,537
Replacement reserve	1,000,000	1,000,000
Development	940,736	
Taxation	4,497,092	7,146,794
Net profit	2,699,225	4,491,639
Prior year profits	316,752	1,191,296
Net income	3,015,977	5,682,935
Ordinary dividends	672,481	1,171,748
Ordinary dividends (per cent)	10½	17½
Retained profits	2,232,082	4,454,937
£1 ordinary share at 73s. 6d. xd. yields		£4 16s. per cent.

There are several strands in the rope of profits, all of them stout. The first is that profits after normal depreciation but before tax have risen from £9,172,885 to £12,675,537. Taxation has jumped just as sharply, from £4,497,092 to £7,146,794. Here the second strand is revealed for

£2,477,473 of Dominion taxation is included in the total charge. This indicates that the group's Canadian ventures are paying off brilliantly. Another strand is that profits relating to previous years have jumped from £316,752 to £1,191,296. A conservative reckoning would exclude such profits from any calculation of earnings but they show at least that Hawker Siddeley is in the full flood of production. The final strand is that, however earnings are calculated, the dividend still looks conservative when set against net profits. There is plenty of room for a bigger payment. That is why investors are willing to accept a yield of 4.8 per cent on the shares.

ASSOCIATED COMMERCIAL VEHICLES. The preliminary report of Associated Commercial Vehicles for the year to September 30th last is colourless. Profits show a slight improvement. Earnings before tax have risen by £131,302 to £1,151,335 and after tax from £451,474 to £579,491—a figure which excludes the credit of £76,068 arising on the sale of some fixed assets and from the writing back of tax provisions. But the recovery in earnings is slow. For the fifth successive year the ordinary dividend is left unchanged at 22½ per cent. On that dividend the £1 ordinary stock units at the current price of 62s. 6d. yield 7.2 per cent.

The directors' short report on the course of the year's trade shows a mixture of good and bad. Sales by the chassis division improved, though this recovery

was checked by "the slow delivery of materials and the lack of skilled labour," but the sales and profits of the bodybuilding division "fell considerably." The future may be a little brighter for, having reported that export sales were well maintained, the directors say that the total value of unexecuted orders on hand is double that recorded a year ago and that some improvement in the trading results of the bodybuilding division is expected in the coming year.

RALEIGH INDUSTRIES. Just as the Hawker Siddeley results can be put among the brightest of the year those from Raleigh Industries can be numbered among the more disappointing. Throughout the group's financial year to July 31st and in the months which followed, the production of bicycles was rising. Yet group profits before depreciation and tax show a slight decline from £2,588,765 to £2,484,932. This decline can probably be attributed to rising costs. But if that is the cause, it does not cancel out the disappointment.

Thanks to a fall in taxation (from £1,287,173 to £981,436) net profits have risen slightly from £1,021,589 to £1,192,666. But the directors have been content to put the increment in net earnings to reserves, leaving the ordinary dividend at 12½ per cent. After the Tube Investments report, some investors had been expecting a better showing from Raleigh Industries. Their disappointment can be measured in the fall of 3s. 9d. in the £1 ordinary shares, which now stand at 48s. 3d. xd., to yield about 5.2 per cent.

WATNEY COMBE REID and H. & G. SIMONDS. The reports of the brewery companies come thick and

fast at this season, and this year there is a touch of seasonable cheer about almost all of them. Thanks to a warm summer, sales in the brewing year to September 30th were higher than in the previous year and profits have risen slightly. A few of the breweries have raised their dividends but most of them have been content to leave them unchanged. One warm summer does not alter the facts that the trend in draught beer sales is downwards and that money must be spent if the companies are to hold their own in the competitive market for bottled beers or if they want to attract custom back to the public houses by improving amenities.

Two preliminary reports—one from the London and Home Counties brewer, Watney Combe Reid, and the other from the Reading brewer, H. & G. Simonds—serve as examples of this year's results. In the 15 months to September 30th Watney Combe Reid earned a profit before tax of £2,840,074; this is equivalent to an annual rate of about £2,270,000 which compares with a profit of £2,095,074 in the year to June 30, 1954. The net profit for the latest 15 months was £1,140,757, equivalent to an annual rate of about £912,000, which is higher than the net profit of £822,834 earned in 1953-54. For the 15 months the brewery has put the ordinary dividend at 25 per cent, exactly equivalent to the annual rate of 20 per cent paid in 1953-54.

Similar results have been reported by H. & G. Simonds whose profits before tax have risen from £608,472 to £629,162 and its net profits from £262,491 to £300,016; its ordinary dividend for the fourth year running is left unchanged at 22 per cent. The yield on the £1 deferred ordinary stock of Watney must be calculated on the assumption of an annual dividend of 20 per cent. On that basis the stock offers 6½ per cent at 60s. xd. This yield is lower than that offered by the Simonds £1 units (8 per cent at a price of 54s. 6d. xd. and is lower than the average yield of brewing shares. But this is due to the asset values underlying the equity—which recently were given some prominence by the abortive negotiations for the sale of Watney's brewery site in Pimlico.

KAFFIR DIVIDENDS. With the limelight on industrial equities, the Kaffir market has been depressed in the last few months. The Christmas dividends from the gold producers have not brightened up the market, though several of them were better than had been anticipated. The output of gold has risen but it has fetched a slightly lower sterling price. Costs have continued to rise but

	June, 1954	Dec., 1954	June, 1955	Dec., 1955
<i>Anglo-American</i>	s. d.	s. d.	s. d.	s. d.
Brakpan 5s.	0 4	0 6	0 4	0 7
Daggafontein 5s.	3 0	3 0	2 9	3 0
E. Daggafontein 10s.	0 9	0 9	0 9	1 0
S.A. Land 5s. 6d.	1 3	1 6	1 4	1 6
Springs 5s.	0 2	0 2	0 2	0 5
W. Reefs 5s.	1 3	1 3	1 3	1 3
<i>General Mining</i>				
Stillfontein 5s.	0 6	0 6	0 6	0 6
W. Rand 10s.	1 9	2 0	1 9	2 0
<i>Central Mining</i>				
Blyvoor 2s. 6d.	1 2	1 2	1 1	1 0
City Dp. £1	0 6	0 6	0 6	0 6
Cons. Main £1	1 9	2 0	2 6	2 6
Crown 10s.	3 0	3 6	3 6	3 6
Durban 10s.	1 6	1 6	1 3	1 3
E. Rand 10s.	1 9	1 9	1 9	2 0
Modder E. 2s.	1 6	1 6	1 6	1 3
Rand 5s.	3 0	3 0	2 9	3 0
Transvaal £1	0 6	0 6	0 6	0 3
<i>Cons. Gold</i>				
Libanon 10s.	0 3	0 3	0 3	0 3
Luipaards 2s.	0 7	0 7	0 7	0 7
Rietfontein 5s.	1 3	1 3	1 1	1 2
Robinson 7s. 6d.	1 3	1 9	1 6	1 6
Simmer 2s. 6d.	0 3	0 5	0 4	0 5
Sub Nigel 10s.	3 9	3 6	3 6	3 3
Venterspost 10s.	0 5	0 6	0 6	0 7
Vlakfontein 10s.	0 6	0 7	0 8	0 8
Vogels 10s.	1 6	1 6	1 7	1 8
W. Dries 10s.	1 3	1 9	2 3	2 6
<i>Johnnies</i>				
East Champ 2s. 6d.	0 7	0 7	0 4	0 4
Govt. Gold 5s.	0 7	0 7	0 4	0 3
Randfontein £1	1 0	2 0	2 0	2 6
<i>Union Corp.</i>				
E. Geduld 4s.	1 9	2 0	2 0	2 3
Geduld £1	5 6	6 9	6 9	8 0
Grootvlei 5s.	1 0	1 1	1 1	1 4
Marievale 10s.	0 11	1 1	1 0	1 3

that increase in the last few months, thanks to the recruitment of a bigger native labour force, has been flattening out. This helps to explain the slightly better dividends. But the market, which has had to absorb one or two shocks from the gold developers, is still waiting on the quarterly reports in January for a lead.

LONDON STOCK EXCHANGE

Next Account begins: January 4th
Next Contango Day: January 4th
Next Settlement Day: December 20th

The rise in equities which closed strongly last Friday when the *Financial Times* index of industrial shares reached 199.7 was checked early this week by the November trade figures. But with the opening of the new account on Wednesday the market rallied, though business remained small and the index rose to 198.6. Gilt-edged securities were inclined to ease, although a firmer tone prevailed later. War Loan recovered ½ to 76½ on Wednesday, but was ½ lower on the week.

Bank shares recovered during the week, Barclays gaining 1s. 3d. to 48s. 6d. Insurance shares remained firm; Legal and General rose ¼ to 19½, Pearl and Prudential "A" were unchanged at 23½ and 47½ respectively. Associated Portland Cement rose a further 3s. to 109s. and Eastwoods gained 6d. to 56s. Electrical shares returned to prominence in the new account after tending to be depressed by small selling. Plessey rose another 1s. 3d. to 83s. and A. Reyrolle 2s. to 106s. 6d. Standard and British Motor weakened with the fall in demand for new motors, but Rolls-Royce gained 1s. 10½d. to 117s. 6d. Tobacco shares were sharply better. Godfrey Phillips benefited from take-over rumours and gained 3s. 9d. to 18s. 3d., while Tobacco Securities rose 2s. 9d. to 50s. 9d. Textiles recovered, cotton and rayon manufacturers being well supported. English Sewing Cotton at 29s. 4½d., Lancashire Cotton at 28s. 7½d., Courtaulds at 44s. 3d. and British Celanese at 21s. 10½d. all rose over the week.

Canadian Eagle and Ultramar were prominent in the oil section, while the general tone remained quiet. United Sva Betong rose to 55s. in the rubber section. Dominion Reefs jumped to 26s. 3d. on the dividend, and New Pioneer gained 7½d. to 13s. 6d. on hopes of an association with the General Mining group. Randfontein advanced to 48s. 6d. and Daggafontein to 50s. 7½d. Coppers were higher, Rhokana reaching 45 and Tanganyika Concessions 8½.

THE ACTUARIES' INVESTMENT INDEX

Group	Price Indices (Dec. 29, 1950=100)					Average Yields (per cent)				
	Nov. 30 1954	Aug. 30 1955	Sept. 27 1955	Oct. 25 1955	Nov. 29 1955	Nov. 30 1954	Aug. 30 1955	Sept. 27 1955	Oct. 25 1955	Nov. 29 1955
	1954	1955	1955	1955	1955	1954	1955	1955	1955	1955
Ordinary Shares:										
Electrical engineering ...	142.6	159.7	149.2	145.1	149.7	4.65	4.68	4.56	4.97	4.83
Engineering ...	173.3	184.2	182.4	175.4	176.1	4.17	4.45	4.49	4.73	4.70
Motors and aircraft ...	166.7	197.7	191.5	178.6	183.3	5.12	4.06	4.19	4.52	4.47
Chain stores ...	267.2	261.6	260.0	259.6	259.6	3.03	3.79	3.82	3.96	3.91
Cotton textiles ...	122.2	106.9	106.3	102.6	100.4	7.16	8.51	8.53	8.82	9.04
Chemicals ...	191.5	218.4	210.8	200.6	199.2	4.08	4.13	4.28	4.50	4.75
Oil ...	190.9	235.2	237.1	225.2	232.2	5.73	4.97	4.99	5.30	5.27
Shipping ...	155.5	162.6	163.4	169.9	171.4	4.96	5.30	5.31	5.14	5.10
Industrials:										
Ordinary (all classes) ...	153.2	156.4	153.5	148.1	150.5	5.15	5.45	5.52	5.75	5.73
Preference ...	97.4	81.8	80.8	84.3	81.9	4.67	5.57	5.64	5.41	5.57
Debenture ...	92.0	78.5	76.7	78.7	77.5	4.48	5.24	5.36	5.23	5.31
Total (capital goods) ...	161.3	178.7	174.1	167.7	170.3	4.81	4.67	4.71	4.97	4.93
Total (consumption goods) ...	140.6	130.1	128.2	123.9	125.4	5.46	6.15	6.26	6.49	6.50
Consols 2½% ...	94.7	77.8	78.2	82.3	80.7	3.73	4.55	4.53	4.30	4.39

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
			%	%
Dec. 7...	196.2	99.71	4.40	5.13
" 8...	197.2	99.69	4.41	5.10
" 9...	199.7	99.70	4.41	5.13
" 12...	198.1	99.69	4.41	5.17
" 13...	197.2	99.57	4.42	5.19
" 14...	198.6	99.51	4.42	5.16
1955, High.	223.9	115.97	Total bargains	
	(July 21)	(Jan. 7)	1955	
" Low.	175.7	98.23	Dec. 7	9.995
	(Mar. 15)	(Sept. 2)	" 8	9.878
1954, High.	184.0	118.10	" 9	10.044
	(Dec. 31)	(Nov. 18)	" 12	12.149
" Low.	131.1	111.78	" 13	9.793
	(Jan. 1)	(Jan. 5)	" 14	8.974
* 1935=100. † 1928=100.				

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Dec. 14		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Dec. 7, 1955	Price, Dec. 14, 1955	Net Yield, Dec. 14, 1955	Gross Yield, Dec. 14, 1955	Prices, 1955 Jan. 1 to Dec. 14		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Dec. 7, 1955	Price, Dec. 14, 1955	Yield, Dec. 14, 1955
High	Low							High	Low						
100½	96½	Funding 2½% '52-57	97½	97½	97½	3 6 5	4 10 3	46/6	34/8½	4 a	6 b B.S.A. £1	36/6	38/-	5 5 3	
100½	97½	War Bonds 2½% '54-56	98½	98½	98½	3 3 6	4 15 10½	13/10½	10/-	10½ b	3 a Cammell Laird 5/-	13/-	12/10½	5 8 9	
100½	93	War Loan 3% '55-59	94½	94½	94½	3 5 3	4 12 10½	39/3	27/-	3 a	8 b Colvilles £1	39/-	38/3	5 15 0	
99½	98½	Conversion 4% '57-58	99½	99½	99½	2 11 5	4 5 7½	36/7½	23/-	5 a	8 c Dorman Long £1	35/3	35/1½	4 11 1	
100½	96½	Serial Funding 2½% 1957	96½	96½	96½	3 7 6	4 8 1	54/-	31/2½	20 c	3 a Guest Keen N'fold £1	50/-	51/6	3 17 8m	
99½	91½	Conv. 2% 1958-59	92½	92½	92½	3 14 8	4 12 0½	79/9	42/-	5 a	12½ b Stewarts & Lloyds £1	77/9	74/-	4 14 7	
97½	89½	Exchequer 2% 1960	90½	90½	90½	3 11 9	4 11 4	47/9	27/6	6½ b	4 a Summers (John) £1	45/7½	44/6	4 9 11m	
104½	92½	Exchequer 3% 1960	94½	94½	94½	3 0 0	4 8 3	50/-	28/6	6 b	4 a United Steel £1	48/1	47/3	4 4 8	
100½	83½	Savings Bonds 3% '55-65	87½	87½	87½	3 5 6	4 14 3½	47/10½	34/-	6 b	2 a Vickers £1	40/6	42/-	4 0 11	
100½	86½	Funding 2½% '56-61	89½	89½	89½	3 12 1	4 15 6½								
97	78½	Funding 3% '59-69	83½	83½	83½	3 7 4	4 16 5½	30/4½	19/6	6 b	4 a Bradford Dyes £1	23/3	23/9	8 8 5	
103½	77½	Funding 4% '60-90	81½	81½	81½	4 9 4	4 6 4½	35/-	20/9	7 b	3 a Brit. Celanese £1	21/3	21/10½	9 3 3	
96½	89½	Savings Bonds 3% '60-70	92½	92½	92½	3 7 0	4 16 7	29/6	22/10½	6½ b	2 a Coats (J. & P.) £1	23/3	23/10½	7 6 7	
102½	87½	Exchequer 3% '62-63	90½	90½	90½	3 2 0	4 8 11½	55/3	35/-	6 b	4 a Courtaulds £1	43/9	44/3	4 10 5	
99½	82½	Exchequer 2½% '63-64	85½	85½	85½	3 8 0	4 11 6½	34/1	24/6	7½ b	5 a Lancs. Cotton £1	25/-	28/7½	8 14 10	
95½	77½	Savings Bonds 2½% '64-67	80½	80½	80½	3 10 10	4 15 3½	36/0½	28/-	2½ a	10 b Patons & Baldwins £1	30/-	31/6	7 18 9	
94½	75½	Savings Bonds 3% '65-75	79½	79½	79½	3 3 6	4 13 8½								
105½	91½	Victory 4% '20-76	95½	95½	95½	2 16 3	4 12 8½	22/11½	17/4½	6½ b	3 a Bristol Aeroplane 10/-	20/6	21/3	4 14 1	
98½	78½	Funding 3% '66-68	84½	84½	84½	3 7 0	4 16 6½	15/9½	8/11½	4 a	8½ b British Motor 5/-	10/-	9/0½	6 17 11	
103	83½	Conv. 3½% 1969	88½	88½	88½	3 2 6	4 15 6	27/10½	21/3	7½ c	Nil c De Havilland £1	24/-	24/4½	Nil	
98½	80½	Treas. 3½% '77-80	83½	83½	83½	2 19 6	4 12 11½	60/-	37/-	15 c	2 a Ford Motor £1	48/9	47/9	3 2 9u	
99½	80½	Treas. 3½% '79-81	84½	84½	84½	2 18 9	4 12 10½	73/6	43/1½	5 a	12½ b Hawker Siddeley £1	59/3	73/6	4 15 3	
88½	68½	Redemption 3% '86-96	72½	72½	72½	2 17 9	4 10 1½	52/9	33/6	25 c	30 c Leyland Motors £1	43/9	44/-	4 10 11m	
95½	78½	Funding 3½% 1999-2004	81½	81½	81½	2 14 1	4 8 8½	133/1½	71/3	12½ b	5 a Rolls Royce £1	112/6	117/6	2 19 10	
97½	82½	Consols 4½% aft. Feb. '57	86½	86½	86½	2 13 9	4 14 1½	12/3½	6/10½	12 c	12 c Standard Motor 5/-	8/9	8/2½	7 5 10	
88½	73½	War L'n 3½% aft. Dec. '52	77½	77½	77½	2 12 4	4 11 2½								
89½	72½	Conv. 3½% aft. April '61	77½	77½	77½	2 12 8	4 11 1½	21/7½	12/6	17½ b	3 a Boots Pure Drug 5/-	18/-	18/-	3 16 4½	
78½	63½	Treas. 3½% aft. April '66	66½	66½	66½	2 12 1	4 10 10½	47/6	33/10½	7½ a	20 b Debenhams 10/-	35/9	36/6	7 10 8	
66½	54½	Consols 2½%	56½	56½	56½	2 10 8	4 8 0½	56/9	35/10½	45 b	15 a Gt. Universal 5/-	42/6	40/10½	7 6 4	
66½	54½	Treas. 2½% aft. April '75	56½	56½	56½	2 11 1	4 9 1½	114/-	92/-	17½ b	5 a Lyons (J.) 'A' £1	97/6	95/-	4 14 9	
99½	97½	Br. Elec. 4½% '67-69	98½	98½	98½	2 15 1	4 14 6½	76/-	58/6	30 b	17½ a Marks & Spen. 'A' 5/-	69/-	69/3	3 8 7	
94½	91½	Br. Elec. 3½% '68-73	80½	80½	80½	3 4 7	4 14 2½	71/9	65/-	36½ b	20 a Woolworth 5/-	60/9	62/6	4 0 0d	
93½	75	Br. Elec. 3½% '74-77	79½	79½	79½	3 2 3	4 12 4½								
109½	90	Br. Elec. 4½% '74-79	95½	95½	95½	2 15 3	4 13 4½	139/-	68/6	14 b	5½ a British Petroleum £1	110/7½	108/1½	2 15 6½	
98½	80½	Br. Elec. 3½% '76-79	83½	83½	83½	2 19 5	4 12 11½	93/5½	50/-	7½ a	13½ b Burmah £1	75/-	71/10½	2 16 8½	
105½	88½	Br. Gas 4% '69-72	92½	92½	92½	2 18 7	4 15 6½	64	50½	10 b	6 a Royal Dutch 100 fl.	£62½	£61½	2 8 9	
102½	87½	Br. Gas 3½% '69-71	87½	87½	87½	3 1 6	4 14 7	158/9	109/9	10½ b	5½ a Shell Reg. £1	140/-	139/4½	3 14 11	
88½	71	Br. Gas 3% '90-95	73½	73½	73½	2 17 1	4 8 11½	44/6	26/9	5½ a	16½ b Trinidad L'holds 5/-	42/-	40/7½	4 12 9	
94½	76	Br. Trans. 3% '68-73	80½	80½	80½	3 4 8	4 14 3								
105½	87½	Br. Trans. 4% '72-77	90½	90½	90½	2 17 5	4 13 7½	37/3	25/1½	12 c	2½ a Cunard £1	25/6	26/3	7 8 7	
88½	70½	Br. Trans. 3% '78-88	74½	74½	74½	2 19 7	4 10 8½	61/-	45/-	12 c	14 c Furness Withy £1	49/-	48/3	5 16 1	
								38/6	27/6	13 b	3 a P. & O. Def. £1	33/6	32/3	4 19 3	

Statistics

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

BRITISH		OVERSEAS	
Prices and Wages.....	Dec. 3rd	Western Europe	Dec. 3rd
Production and Consumption	Dec. 10th	Production and Trade.....	Dec. 10th
Manpower.....	This week	British Commonwealth	Dec. 10th
External Trade.....	Nov. 26th	Western Europe	
Financial Statistics	This week	Prices and Money Supply	This week
Industrial Profits	Oct. 15th	United States	Nov. 26th
		World Trade.....	Oct. 15th

Manpower in Great Britain

	Unit	Monthly averages			1954			1955			
		1952	1953	1954	Sept.	Oct.	Nov.	Aug.	Sept.	Oct.	Nov.
TOTAL MANPOWER ⁽¹⁾											
Working population :											
Total	'000s	23,294	23,373	23,667	23,836	23,861	23,910	24,007	24,018	24,061	...
Men	"	15,864	15,883	15,974	16,039	16,044	16,054	16,128	16,125	16,132	...
Women	"	7,430	7,490	7,693	7,797	7,817	7,856	7,879	7,893	7,929	...
Armed Forces	"	872	865	839	836	834	836	793	790	786	...
Civil employment :											
Total	"	22,119	22,238	22,604	22,753	22,773	22,818	23,026	23,030	23,059	...
Agriculture, forestry and fishing	"	1,112	1,087	1,074	1,079	1,049	1,029	1,067	1,057	1,027	...
Mining and quarrying	"	875	877	867	865	864	864	862	860	859	...
Building and contracting	"	1,435	1,437	1,453	1,456	1,457	1,449	1,480	1,478	1,472	...
Distributive trades	"	2,616	2,664	2,743	2,765	2,786	2,833	2,819	2,816	2,839	...
Public administration	"	1,336	1,320	1,326	1,320	1,317	1,316	1,315	1,315	1,315	...
Manufacturing industries	"	8,626	8,746	8,976	9,105	9,162	9,201	9,273	9,322	9,374	...
CHANGES IN EMPLOYMENT ⁽¹⁾											
Increase or decrease since June, 1950 :											
Employees in engineering ⁽²⁾	"	+ 212	+ 213	+ 338	+ 401	+ 429	+ 455	+ 558	+ 590	...	...
" " consumer goods industries ⁽²⁾	"	- 126	- 8	+ 59	+ 99	+ 118	+ 125	+ 80	+ 87	...	...
UNEMPLOYMENT											
By duration :											
All durations—total	"	414.2	342.0	284.8	236.0	253.9	263.1	199.7	202.2	215.2	225.9
" " —men	"	227.8	218.2	184.4	149.1	159.6	165.9	124.8	124.3	133.1	142.0
" " —women	"	186.4	123.8	100.4	86.9	94.3	97.2	74.9	77.9	82.1	84.0
Temporary or under 2 weeks—men	"	87.8	68.7	58.0	51.7	55.9	52.4	45.9	49.2	50.3	49.1
" " —women	"	94.7	43.9	36.4	38.5	38.9	36.3	37.8	41.1	39.0	35.6
Over 8 weeks—men	"	85.9	96.7	81.7	62.7	64.3	69.3	51.7	48.9	50.7	55.1
" " —women	"	50.2	46.3	37.1	24.6	27.9	31.1	20.5	18.1	20.6	23.0
By industry ⁽³⁾ :											
Textiles	%	8.6	1.4	0.9	0.9	0.9	0.9	2.0	2.2	1.6	1.2
Clothing	"	2.9	1.3	1.3	1.1	1.0	1.2	0.9	0.9	0.8	0.8
Vehicles	"	0.7	0.8	0.5	0.4	0.4	0.4	0.3	0.3	0.4	0.4
Engineering, etc.	"	1.4	1.4	1.1	0.9	1.1	1.0	0.6	0.7	0.7	0.7
Coal-mining	"	0.2	0.2	0.2	0.2	0.3	0.2	0.1	0.1	0.1	0.2
Distributive trades	"	1.5	1.5	1.3	1.0	1.1	1.1	0.8	0.8	0.9	0.9
By regions ⁽⁴⁾ :											
Great Britain	"	2.0	1.6	1.3	1.1	1.2	1.2	0.9	0.9	1.0	1.0
London and South Eastern	"	1.3	1.2	1.0	0.7	0.8	0.9	0.5	0.5	0.6	0.7
Eastern	"	1.3	1.3	1.2	0.9	1.0	1.0	0.7	0.7	0.8	0.8
Southern	"	1.4	1.4	1.1	0.8	1.1	1.1	0.7	0.7	0.8	1.0
South Western	"	1.5	1.6	1.5	1.1	1.3	1.5	0.8	0.9	1.1	1.3
Midland	"	0.9	1.1	0.6	0.6	0.5	0.5	0.5	0.5	0.5	0.5
North Midland	"	1.0	0.7	0.6	0.5	0.5	0.6	0.5	0.4	0.4	0.5
East and West Ridings	"	1.9	1.2	0.9	0.8	0.8	0.8	0.7	0.6	0.7	0.7
North Western	"	3.6	2.1	1.5	1.3	1.3	1.3	1.4	1.4	1.3	1.3
Northern	"	2.6	2.4	2.2	1.9	2.0	2.1	1.5	1.4	1.5	1.6
Scotland	"	3.3	3.1	2.8	2.4	2.4	2.6	2.0	2.0	2.1	2.2
Wales	"	2.9	3.0	2.5	2.1	2.2	2.3	1.6	1.6	1.7	1.8
VACANCIES											
Unfilled vacancies notified to Employment Exchanges :											
Total	'000s	230	270	338	348	340	333	448	424	...	...
Men	"	131	147	191	195	193	189	251	238	...	...
Women	"	99	123	147	153	147	144	197	186	...	...
DISPUTES ⁽⁵⁾											
Workers involved	"	35	114	37	35	101	39	29	62	60	...
Working days lost :											
Total	"	149	182	205	123	1,112	302	75	223	186	...
Mining and quarrying	"	55	33	39	46	41	48	31	60	63	...
Engineering, etc.	"	66	127	62	68	255	223	29	86	99	...
Other industries and services	"	28	22	104	9	816	31	15	77	24	...

(1) Annual figures are for June of each year. (2) Engineering, shipbuilding and electrical goods, vehicles, metal goods, precision instruments and jewellery. (3) Textiles, leather goods, clothing, food, drink and tobacco, manufactures of wood and cork, paper and printing. (4) Number registered as unemployed expressed as a percentage of the estimated number of employees. (5) United Kingdom.

Prices and Money Supply in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether- lands	Norway	Sweden	Turkey
WHOLESALE PRICES ⁽¹⁾ (1948 = 100)												
1938	31	25	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	105	134	152	110	194	126	97	136	154	139	117
1955, June	262	108	137	149	112	207	...	96	136	154	144	125
" July	264	107	138	150	112	208	...	97	136	156	146	125
" August	266	108	137	151	112	209	...	97	136	156	145	...
" September	260	108	139	153	113	213	...	97	...	155	146	...
" October	258	...	141	152	...	...	...	...	...	156	147	...
COST OF LIVING ⁽¹⁾ (1948 = 100)												
1938	31	27	60	6	64	0.4	55	2	49	63	65	29
1953	205	106	123	144	108	160	126	117	131	136	130	113
1954	213	108	124	143	108	184	126	120	137	142	131	123
1955, June	212	106	...	145	109	196	...	124	140	143	133	128
" July	214	107	132	143	111	195	...	124	140	144	135	134
" August	214	108	...	143	110	196	129	124	139	144	135	...
" September	214	108	...	144	110	197	...	124	139	143	136	...
" October	...	108	134	146	...	...	...	...	...	...	...	...
IMPORT PRICES ⁽²⁾ (1948 = 100)												
1938	27	27	40	7	28	...	39	1	24	32	45	21
1953	270	119	119	168	106	...	121	102	117	125	139	89
1954	258	114	115	166	102	...	122	101	111	122	137	92
1955, May	255	115	115 ¹⁰	163 ¹⁰	105	...	128	102	115	121	138 ¹⁰	86
" June	252	114	...	...	107	...	129	103	114	129	138	83
" July	251	114	...	...	107	...	129	102	113	128	...	82
" August	242	115	...	...	109	...	129	...	114	118	...	...
" September	248	...	...	...	108	...	128	...	...	125	...	...
EXPORT PRICES ⁽³⁾ (1948 = 100)												
1938	33	25	40	6	35	...	37	1	25	32	42	24
1953	239	105	110	147	123	...	127	97	104	119	132	110
1954	237	99	109	140	118	...	125	101	99	118	129	107
1955, May	246	103	107 ¹⁰	142 ¹⁰	119	...	132	101	97	127	132 ¹⁰	120
" June	246	102	...	...	120	...	132	100	97	124	...	122
" July	243	102	...	...	121	...	129	99	94	133	...	124
" August	245	103	...	...	120	...	130	...	...	127	135	...
" September	234	...	...	...	119	...	131	...	...	129	...	...
CURRENCY IN CIRCULATION ⁽⁴⁾												
End of period	'000 mn. schillings	'000 mn. francs	mn. kroner	'000 mn. francs	'000 mn. D. marks	'000 mn. drachmas	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
1938	...	23.6	425	112	...	...	...	19	1,048	455	1.04	213
1953	10.25	105.9	2,032	2,310	11.98	3,503	54.6	1,424	3,440	3,002	4.90	1,461
1954	11.98	106.7	2,054	2,551	12.78	3,474	46.8	1,533	3,728	3,191	5.16	1,527
1955, May	11.92	107.9	1,893	2,572	13.03	3.87	56.2	1,420	3,802	2,951	4.84	1,657
" June	12.25	108.6	...	2,630	13.21	3.89	52.9	1,428	3,812	3,062	4.99	1,680
" July	12.52	110.3	...	2,682	13.47	3.97	56.0	1,508	3,877	3,097	4.82	1,865
" August	12.34	109.4	...	2,670	13.35	4.13	55.6	1,481	3,886	3,065	4.85	1,815
" September	...	...	...	...	...	4.27	...	1,506	...	3,075	4.97	...
GOLD AND FOREIGN EXCHANGE HOLDINGS ⁽⁵⁾ (mn. US Dollars)												
1938	734	780	76.7	2,784	...	26.8	59	201	1,003	128.3	512	3
1953	320	1,090	166.8	956	1,984	10.5	234	952	1,161	138.3	425	212
1954	412	1,046	143.4	1,369	1,682	10.8	260	1,041	1,276	122.8	385	206
1955, June	379	1,077	122.7	1,754	1,869	10.8	242	1,098	1,270	106.8	350	208
" July	381	1,083	133.0	1,924	1,938	10.9	242	...	1,257	138.3	358	213
" August	387	1,087	126.3	2,005	1,934	10.9	240	...	1,247	154.2	354	213
" September	388	1,112	130.6	...	...	10.9	232	...	1,251	164.4	353	...
" October	...	...	125.0	...	...	10.9	238	...	1,258	166.7	361	...

Financial Statistics

EXCHEQUER RETURNS

For the week ended December 10th there was an "above-line" deficit (after allowing for Sinking Funds) of £33,538,000 compared with a deficit of £32,651,000 in the previous week and a deficit of £37,001,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £12,966,000, bringing the total cumulative deficit to £698,039,000 (£525,173,000 in 1954-55).

£'000	Estimate, 1955-56	April 1, 1954 to Dec. 11, 1954	April 1, 1955 to Dec. 10, 1955	Week ended Dec. 11, 1954	Week ended Dec. 10, 1955
Ord. Revenue					
Income Tax	1877,400	610,056	650,052	13,879	14,063
Sur-tax	136,000	43,600	41,000	1,600	1,800
Death Duties	185,000	126,900	123,600	2,700	2,700
Stamps	74,000	50,970	50,300	1,300	1,100
Profits Tax E.P.T.	180,000	125,400	143,900	3,700	2,800
Excess Profits Levy	25,000	59,600	15,300	1,100	100
Special Contribution and other	1,000	830	350	50	50
Inland Revenue					
Total Inland Rev.	2478,400	1017,356	1024,502	24,329	22,613
Customs	1131,700	790,791	819,285	23,303	24,990
Excise	811,050	545,418	600,940	5,670	6,780
Total Customs and Excise	1942,750	1336,209	1420,225	28,973	31,770
Motor Duties	80,000	20,040	23,392	281	374
PO (Net Receipts)	11,300	9,000	1,050	100	
Broadcast Licences	25,000	12,600	14,800		
Sundry Loans	24,000	20,761	26,257	413	2,941
Miscellaneous	175,000	114,186	112,529	572	7,559
Total	4725,150	2532,452	2630,705	55,618	65,357
Ord. Expenditure					
Debt Interest	600,000	405,733	456,989	7,827	11,319
Payments to N. Ireland Exchequer	53,000	31,957	37,148	1,762	2,256
Other Cons. Fund	10,000	5,345	6,291		
Supply Services	3898,850	2347,322	2409,475	82,500	84,600
Total	4561,850	2790,357	2909,903	92,089	98,175
Sinking Funds	36,000	24,910	24,010	530	720
"Above-line" Surplus or Deficit		282,915	303,208	37,001	33,538
"Below-line" Net Expenditure		242,358	394,831	11,212	12,966
Total Surplus or Deficit		525,173	698,039	48,213	46,504
Net Receipts from:					
Tax Reserve Certificates	246,528	137,532	1,720	1,108	
Savings Certificates	23,300	11,590	2,400	200	
Defence Bonds	6,927	20,542	3,410	273	

THE MONEY MARKET

CREDIT supplies in Lombard Street continued plentiful before the weekend; on Friday and Saturday the Bank made some reverse sales of bills to mop up a surplus. But on Monday conditions tightened, whilst on the following day two or three houses were forced to take loans at the penal rate, though for a very small amount.

The market made no change in its bid at the Treasury bill tender on Friday last, offering £99 5s. 11d. per cent for the two months and £98 19s. 8d. per cent for the three months' maturities. The offer was unchanged at £50 million and £240 million respectively, but total applications for the 91-day bills shot up by £57 million to £361.1 million, so that the market's allotment slumped from 85 to 50 per cent. Applications for the 63-day bills fell by £3 million, to £61.2 million, but the market's allotment still dropped slightly, from 81 to 80 per cent. The allotment on the two maturities together fell from 83 to 56 per cent. At yesterday's tender, the offer of 63-day bills was raised by £20 million, but that of the longer maturities was cut back by £20 million.

Sterling has been strong in the exchange markets this week. The rate against the dollar, which last week was held at \$2.80½ only with the aid of official support, has risen steadily. On Wednesday the close was at \$2.80½. In the bullion market the price of silver rose in successive stages from 77½d. an ounce to 78½d. an ounce for spot delivery.

LONDON MONEY RATES

Bank rate (from 31% 24/2/55)	%	Discount rates	%
Bank bills: 60 days	4½	Bank bills: 60 days	4½
3 months	4½	3 months	4½
6 months	4½	6 months	4½
Deposits (max)	2½	Deposits (max)	2½
Banks	2½	Banks	2½
Discount houses	2½	Discount houses	2½
Money Day-to-day	2-3½	Fine trade bills:	
Short periods	2-3½	3 months	5-5½
4 months	4½	6 months	5-5½
Treat. bills 3 months	4½	6 months	5½-6

* Call money.

BANK OF ENGLAND RETURNS
(£ million)

	1954	1955
	Dec. 15	Dec. 7
Issue Department*		
Notes in circulation	1,744.0	1,828.4
Notes in banking dept.	31.3	22.0
Govt. debt and securities	1,771.2	1,846.3
Other securities	0.8	0.7
Gold coin and bullion	0.4	0.4
Coin other than gold coin	3.0	3.0
Banking Department:		
Deposits:		
Public accounts	11.8	11.5
Treasury special account	9.6	3.2
Bankers	289.5	249.3
Others	67.2	69.6
Total	378.1	333.4
Securities:		
Government	340.0	287.9
Discounts and advances	7.5	22.2
Other	14.9	17.0
Total	362.4	327.1
Banking department reserve	33.7	24.3
"Proportion"	8.9	7.2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,850 million to £1,900 million on December 14, 1955.

TREASURY BILLS

Date of Tender	Amount (£ million)		91 Day Bills			
	Offered	Applied for	Average Rate of Allotment		Allotted at Max. Rate*	
1954 Dec. 10	91 Day 260.0	Total 425.4	s.	d.	%	
			34	8.97	40	
1955 Sept. 9	300.0†	381.1	81	4.67	64	
" 16	290.0	344.8	81	5.52	80	
" 23	280.0	369.7	81	5.14	69	
" 30	280.0	359.4	81	5.33	70	
Oct. 7	270.0	361.4	81	5.25	66	
" 14	260.0†	363.8	81	4.99	51	
" 21	240.0	372.6	81	4.94	51	
" 28	250.0	381.7	81	4.98	52	
	91 Day 63 Day					
Nov. 4	200.0	50.0	269.7	81	11.65	46
" 11	220.0	50.0	406.2	82	0.43	47
" 18	240.0	50.0	379.5	82	1.18	68
" 25	230.0	60.0	386.8	82	0.88	61
Dec. 2	240.0	50.0	368.3	81	5.60	85
" 9	240.0	50.0	422.4	81	4.35	50

* On Dec. 9th tenders for 91 day bills at £98 19s. 8d. secured 50 per cent, and for 63 day bills at £99 5s. 11d. 80 per cent, higher tenders being allotted in full. Yesterday's offering of £280 million included £60 million at 63 days.
† Allotment cut to £290 million.
‡ Allotment cut to £230 million.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates: Spot					
		December 14	December 8	December 9	December 10	December 12	December 13
United States \$	2-78-2-82	2-80½-2-80½	2-80½-2-80½	2-80½-2-80½	2-80½-2-80½	2-80½-2-80½	2-80½-2-80½
Canadian \$	2-79½-2-80½	2-79½-2-80½	2-79½-2-80½	2-79½-2-80½	2-79½-2-80½	2-79½-2-80½	2-79½-2-80½
French Fr.	972-65-987-35	982½-982½	982½-982½	982½-982½	982½-982½	982½-982½	982½-982½
Swiss Fr.	12-15½-12-35½	12-25½-12-25½	12-25½-12-25½	12-25½-12-25½	12-25½-12-25½	12-25½-12-25½	12-25½-12-25½
Belgian Fr.	138-95	139-70	139-70	139-70	139-70	139-70	139-70
Dutch Gld.	10-56-10-72	10-62-10-62½	10-62-10-62½	10-62-10-62½	10-62-10-62½	10-62-10-62½	10-62-10-62½
W. Ger. D-Mk.	11-67½-11-84½	11-74½-11-74½	11-74½-11-74½	11-74½-11-74½	11-74½-11-74½	11-74½-11-74½	11-74½-11-74½
Portuguese Esc.	79-90-81-10	80-05-80-20	80-05-80-20	80-05-80-20	80-05-80-20	80-05-80-20	80-05-80-20
Italian Lire	1736½-1762½	1759-1759½	1759-1759½	1759-1759½	1759-1759½	1759-1759½	1759-1759½
Swedish Kr.	14-37½-14-59½	14-51-14-51½	14-51-14-51½	14-51-14-51½	14-51-14-51½	14-51-14-51½	14-51-14-51½
Danish Kr.	19-19½-19-48	19-33½-19-34	19-33½-19-34	19-33½-19-34	19-33½-19-34	19-33½-19-34	19-33½-19-34
Norwegian Kr.	19-85-20-15	20-01-20-01½	20-01-20-01½	20-01-20-01½	20-01-20-01½	20-01-20-01½	20-01-20-01½
One Month Forward Rates							
United States \$	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm
Canadian \$	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm
French Fr.	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm	1-1½c. pm
Swiss Fr.	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm
Belgian Fr.	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm
Dutch Gld.	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm
W. Ger. D-Mk.	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm
Italian Lire	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm
Swedish Kr.	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm
Danish Kr.	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm
Norwegian Kr.	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm	2-1½c. pm
Gold Price at Fixing							
Price (s. d. per fine oz.)	249/8½	249/7½	249/7	249/6	249/6	249/4½	249/4½

FLOATING DEBT

(£ million)

Date	Treasury Bill		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Depts.	Bank of England	
1954 Dec. 11	3,450.0	1,672.7	256.4	3.8	5,382.8
1955 Sept. 10	3,420.0	2,023.3	249.9	...	5,693.3
" 17	3,460.0	2,036.2	251.0	...	5,737.2
" 24	3,480.0	2,000.0	263.4	...	5,743.4
" 30	5,498.3	...	258.4	...	5,756.7
Oct. 8	3,480.0	2,025.9	260.1	...	5,766.0
" 15	3,470.0	1,810.2	272.3	...	5,554.8
" 22	3,440.0	1,868.5	272.3	...	5,580.7
" 29	3,440.0	1,871.4	258.2	...	5,574.6
Nov. 5	3,450.0	1,834.1	253.8	0.3	5,538.1
" 12	3,470.0	1,806.2	249.9	...	5,526.1
" 19	3,500.0	1,856.5	284.2	...	5,640.7
" 26	3,520.0	1,854.7	271.4	2.0	5,648.1
Dec. 3	3,530.0	1,891.2	248.1	...	5,669.3
" 10	3,530.0	1,936.1	251.0	...	5,717.1

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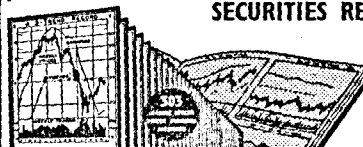
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COMPANY MEETINGS

JOSEPH LUCAS (INDUSTRIES) LIMITED

MOTOR INDUSTRY'S RECORD PRODUCTION

INCREASED SALES TO AIRCRAFT INDUSTRY

MR A. B. WARING REVIEWS RESULTS AND PROSPECTS

The Fifty-Eighth Annual General Meeting of Joseph Lucas (Industries) Limited was held in Birmingham on December 12, 1955.

In his statement to the Shareholders, Mr A. B. Waring, the Chairman, said:

From the Published Accounts it will be seen that the trading activities for the year ended July 31st last show the following results:

	1955	1954
Consolidated surplus from operations after charging all expenses, making adequate allocations to reserves and providing for taxation at comparable rates.....	£ 1,801,346	£ 2,126,798
Deduct taxation charges applying only to last year—EPL and income tax not required.....	...	675,300
Add income not relating to trading operations for the year—dividends and interest, revenue from property, royalties and foreign manufacturing rights and profit from earlier periods..	405,741	260,939
Net income from all sources.....	2,207,087	1,712,437
Deduct profit retained by subsidiaries.....	978,256	545,006
Net profit of Joseph Lucas (Industries) Limited.....	1,228,831	1,167,431

From these figures it will be seen that after charging taxation on a comparable basis the consolidated surplus from Operations is £325,000 less than in the previous year. Last year's results bore additional taxes of £675,000 and this year income from non-trading sources increased by £145,000. Taking these two items into account the net income from all sources at £2,207,087 is greater by £495,000 than the previous year. Profit retained by the subsidiaries to meet expansion requirements has increased by £433,000 leaving the net profit for the year at £1,228,831—which is £61,000 more than in 1954. To this net profit has to be added the balance of profit brought forward from the previous year £236,000 also the parent company's proportion of the over-provision for taxation resulting from the reduction in the standard rate of income tax provided in the Budget last April—£170,000. These additions bring the profit available for appropriation to £1,635,000 against £1,382,000 for the previous year. In arriving at the results it will be seen that income not relating to the trading operations of the year is greater than last year due primarily to increased royalties and to an increase in profits from earlier periods which relate to deferred settlements of Government contracts. Taxation at £5,187,000 is £470,000 less than last year mainly due to the elimination of the Excess Profits Levy. Replacement reserve for buildings, plant and equipment and for Supplementary pensions are the same as previously. A special stock reserve of £350,000 has been made to cover the inflationary element in this year's stock increase.

DIVIDEND

In view of the results the Directors recommend a final dividend on the equity shares of 1s. 3d. per share which, with the interim dividend of 3d. per share already paid, makes a total distribution of 1s. 6d. as last year. In making these recommendations the Directors have given careful consideration to all factors

bearing on the Company's affairs and those concerning the Motor Industry which provides its major source of profit. The influence of immediate national circumstances has not been overlooked.

The net dividends recommended amount to £614,000 compared with £575,000 last year, and the proposed allocations to general reserve and employees funds are the same as last year. The carry forward to next year

restrictions which arise from national balance-of-payment problems will, it is hoped, prove to be only temporary as was the case in 1952 when similar circumstances prevailed. Australian made cars and trucks are on the increase and local production will no doubt receive further encouragement from the latest import restrictions. British manufacturers have arrangements for progressively increasing the Australian manufactured content of their exported vehicles and to a large extent the situation, expansion is taking place in the Company's own factories established in working on the manufacture of vehicle equipment in Melbourne, Adelaide and Auckland.

The National Income and Expenditure Blue Book for 1955 states that the output of manufacturing industry increased by 33 per cent between 1948 and 1954 whilst total wages and salaries increased by 60 per cent in the same period. The result is that the "wages and salaries cost per unit of output" for manufacturing industry as a whole is 20 per cent higher than in 1948. Within the Lucas Organisation the wages and salaries cost per unit of the car electrical equipment output of the Company is 20 per cent lower than in 1948 whilst, during the same period, the average hourly earnings of the workpeople concerned increased by 60 per cent. This has been brought about by greatly increased production; at the same time it reflects the higher productivity which has resulted from the continuous efforts to improve both designs and manufacturing techniques. The fruits of the efforts to improve productivity have been masked by the rising costs of materials and wages. The continuous search by the Company's laboratories for alternative less expensive materials and all the efforts made to economise in the use of materials have been able to do no more than slow down the rising tide of material costs. The price of copper, which is the principal raw material for manufacture of electrical equipment, rose by 70 per cent in the course of the year, and the price of zinc and lead by 21 per cent and 16 per cent respectively. Wages in the engineering industries were raised by 5 per cent. It is quite impossible to make offsetting cost economies at anything approaching this rate, and it is only the substantial increase in volume of output that has made it possible to get through the year without imposing price increases of a substantial nature. If the present volume of output were to fall, there would be the utmost difficulty in keeping down prices at anything like their present level.

The price policy of the Company has two main objectives: firstly to contribute all that it can towards the continuing success of the British motor industry, and secondly to maintain the position it has won within that industry as a supplier of specialised equipment, and in so doing to earn a fair reward for effort. The best interests of the Company will not be served by large profit margins, but by a regularly expanding market, and with this in mind it is our constant endeavour to make a full contribution to cheaper, safer and better motoring, road transport and mechanised agriculture. The prices of our equipment, whether supplied

in large volume to the vehicle manufacturers or over the counter as spares to the general public, compare favourably on a value-for-money basis with those of any other manufactured products available in this country or any other country, including the USA.

KEEN EXPORT COMPETITION

It may be appropriate to refer to the attention that has properly been given in the Press and elsewhere to the progress that is being made in export markets by German manufacturers. We should do well to take note of this virility on the part of our competitors, without, however, forgetting that figures expressing the rate of progress as a percentage of previous performance will always favour the late starter, as compared with the producer who has been maintaining a high average for a period of years. In the field of vehicle design and production the Germans have no set of natural laws operating in their favour. They have to purchase their raw materials in the world's markets, and there has never been any indication that their inventive genius is superior to what exists in this country. They have as a national characteristic a liking for hard work and for thoroughness in detail, nevertheless, a close examination of the German cars reaching the export markets does not reveal any important feature of design or specification or price which could be regarded as an advantage over the British counterpart; indeed, the reverse is more likely true. There are, however, indications that their overseas salesmanship and service arrangements are of a highly imaginative and comprehensive character, and of this it is necessary to take full account.

AIRCRAFT INDUSTRY

Sales to the aircraft industry were greater than last year; this achievement having been assisted by an increased contribution from the Company's Canadian factory at Toronto. The rapid growth of sales of aircraft equipment over the past four years has been due mainly to the rearmament programme and to a lesser extent the increased popularity of gas turbine engines in civil aircraft. The peak load of rearmament has now been passed, and although it is anticipated that a full share of the rising civil requirements will be obtained, nevertheless this will not replace the declining military volume. This situation has been anticipated for some time and efforts are being made to diversify the products of our aircraft equipment factories. Steps are also being taken to develop and produce hydraulic and combustion equipment for industrial and domestic purposes, but it is unlikely that these new activities will provide a financial reward for some time.

Future success in the aircraft equipment field depends on the ability to design and produce new devices to overcome the problems presented by high altitude and ultra high-speed flying, and at the same time to achieve economical production and operation. The Company's scientific and technical staffs are fully established and extremely well equipped to meet the demands now being made upon them.

The Directors express their wholehearted thanks to all employed by the Company, whether of senior or junior rank. All have responded admirably to the challenge of the needs and requirements of the year.

Finally, the shareholders will be pleased to know that on November 3rd Her Majesty The Queen and His Royal Highness The Duke of Edinburgh honoured the Company by visiting its Head Office and Works. The reception given to them by the workpeople and staff was truly inspiring.

The Report of the Directors and the Accounts were adopted.

ELECTRIC & MUSICAL INDUSTRIES, LIMITED

BEST RESULTS IN COMPANY'S HISTORY

The twenty-fourth annual general meeting of Electric & Musical Industries, Limited, was held on December 9th in London.

Mr J. F. Lockwood, the chairman, in the course of his speech, said: The final net profit was £832,000—an increase of £286,000 over 1954. This result is the best in the Company's history.

RECORDS, RADIO AND TELEVISION

In the financial year ended June 30, 1955, the value of our sales of gramophone records in the world was 33 per cent above the previous year. The EMI group of companies is the largest manufacturer of gramophone records in the world.

Our trademarks are known throughout the world as symbols of the best that can be obtained in recorded music. In addition, we have built up an outstanding organisation for recording, manufacturing or distributing in twenty-five countries. From these companies or branches records are sold throughout the world, and we can give artists and the public a service which cannot be matched by any other organisation.

The new range of television receivers is accepted by both the trade and public as providing brighter pictures of the highest definition. The introduction of the new EMI electrostatic cathode ray tube has made possible this great advance in picture quality, and our lead is now being followed by competitors.

We believe that we may have been the first in the world to have automatic electronically-controlled machine tools working satisfactorily under commercial conditions in a customer's factory. Development work is proceeding on apparatus of more complex design to meet the requirements of particular industries—especially aircraft. It is expected that this form of automation will rapidly gain favour because it will reduce production costs and widen the scope of experimental work.

We have just made a long-term agreement with the well-known Cincinnati Milling Machine Company of America, which is a firm of world-wide repute in the machine tool industry. This agreement provides for electronic apparatus of our design and manufacture to be used in conjunction with their machine tools and also licenses them to use our designs and patents. This will, we hope, result in a substantial export of electronic equipment and provide a useful dollar income.

OTHER FORMS OF AUTOMATIC CONTROL AND DATA PROCESSING

We shall complete next year a pilot model of a data processing system which is designed to do work not practicable with the equipment at present available here or abroad.

We are also co-operating with the National Research Development Corporation in the development of an advanced system of data processing for commercial and manufacturing purposes.

Both systems will use the digital computer technique and will be designed to allow for the rapid selection of items from large volumes of information and so avoid complex computing. The systems will be made as flexible as possible to meet many needs, for

example, banking and distribution, as well as manufacturing.

DEFENCE WORK

During the past year, our development, design and production teams have been fully employed on Government contracts for many types of military, airborne and naval electronic equipment. We have been asked to look further ahead and co-operate in the study and design of new equipment to meet the increased requirements and more difficult conditions of operation which will arise in the next decade.

We are now being asked to increase the range of our responsibilities in both new and established work. An example is telemetry equipment, which is used for transmitting flight information from trial guided missiles.

We are providing not only the missile equipment, but are also co-ordinating the requirements of users in order to assess the need for new designs. We also have a team operating at Salisbury, Australia, for the purpose of proving our guided weapon equipment on the trial ranges.

OVERSEAS BRANCHES AND SUBSIDIARIES

United States of America.—The business of Capitol Records, Inc., continues to expand. Their sales will have reached about £7 million in the calendar year. The "Angel" records, marketed by our other American subsidiary, Electric & Musical Industries (US) Limited, continue to attract the American public. The sales of these records, which are mainly of serious music, have increased by 150 per cent in a year. These records are all exported from Hayes.

The success of the "Angel" trademark in America has exceeded our hopes and more than justified your directors' decision to establish our own selling organisation for at least part of our products in America.

France.—The activities of our highly successful French subsidiary continue to expand. It employs 2,500 people and accounts for about 70 per cent of record sales in that country. It also has a good share of the market for record players.

Germany.—Our subsidiaries, now located at Cologne, are making rapid progress and reasonable profits. Their sales have improved by more than 70 per cent during the year.

Australia.—The business in Australia has an annual turnover of several million pounds. The manufacturing capacity, especially for records, is being increased to take every advantage of this profitable and expanding market.

FUTURE PROSPECTS

From next January we shall begin selling Capitol records in the United Kingdom. In the United Kingdom we do not yet know what will be the full effect on our turnover of the restrictions on hire purchase, the increase in purchase tax and the Chancellor's restriction of credit.

We are seriously concerned by wage increases which affect the prices of the goods which we have to sell abroad. Despite these difficulties, I think we can look forward to the future with confidence.

The report and accounts were adopted.

ANGLO-TRANSVAAL CONSOLIDATED INVESTMENT COMPANY LIMITED

STRONG FINANCIAL POSITION CONTINUES

HIGHER GOLD PRICE NECESSARY FOR WORLD STABILITY

INDUSTRIAL INTERESTS STRENGTHENED

The Twenty-Second Annual General Meeting of the Anglo-Transvaal Consolidated Investment Company Limited was held on December 9th in Johannesburg.

The following is an extract from the Speech of the Chairman, Mr S. G. Menell:

Ladies and Gentlemen,—I have pleasure in presenting for your approval the Directors' Report and Audited Statement of Account for the year ended June 30, 1955.

You will see from the Profit and Loss Account that the operations for the year have resulted in a net profit of £882,100 which is slightly higher than last year's record figure.

You will observe from the Balance Sheet that the book value of investments in Subsidiary and other companies amounts to £5,700,000, as compared with the figure of £6,400,000, being the market value of the quoted investments and at cost or Directors' valuation whichever is the lower, for unquoted investments. In addition to this surplus of £700,000, there is a specific provision of £600,000, giving a total excess value of £1,300,000. The reserves of the Company amount to £3,880,000 and current assets of £5,600,000 exceed current liabilities by £697,000.

I would also draw your attention to the accumulated reserves of various Companies in the Group since they became subsidiaries. In the accounts of your principal subsidiary, Anglo-Transvaal Industries Limited, the net aggregate amount of profits less losses of their subsidiaries total £994,000 which has not been dealt with in the accounts of that company. Your Company's proportion of this amount and of the amounts in other subsidiaries which has not been distributed, totals £740,300.

INDUSTRIAL

Anglo-Transvaal Industries Limited has had a record year and most of the Companies in the Group have extended their activities and increased their profits. This satisfactory position has been largely due to the conservative policy adopted during recent years of building up reserves to be employed in profitable expansion. It will now be difficult to continue this sound and prudent policy owing to the introduction of the Undistributed Profits Tax and young industries in particular, which should be given every encouragement to plough back profits for development and expansion purposes, will be unduly prejudiced.

It is hoped that in the interests of industrial progress, this Tax will be amended.

HIGHER GOLD PRICE NECESSARY FOR WORLD STABILITY

In view of the position which gold mining occupies in the country's economy, any serious problems confronting the Industry must be regarded as being in the forefront of national problems.

Two major adverse trends are hampering the Industry at present, namely, the shortage of manpower and the ever-rising cost structure, with which is coupled an unrealistically low gold price.

The shortage of manpower is forcing the Industry to work below its true capacity. This shortage is not confined to the gold mining industry, and is indeed a national problem, the solution of which is of prime concern to the State if the economy of the nation is to develop at a pace commensurate with its great potential. Our obvious remedy is that immigration must be fostered on a more extensive scale, but it is also necessary that the abilities of the Non-European must be put to wider and more effective use. It is manifestly beyond the capacity of rather less than three million Europeans to provide the skill and intellect required to support in a modern way of life, a community consisting of almost fourteen million inhabitants in our country.

The price of gold, over which the mining industry has no control, means that rising costs have greater significance in the gold mining industry since the gold mines are not able to pass on to the buyer of gold any of the increased costs in the way that manufacturing industries can pass on certain costs to the consumer. Since the time of the last increase in the sterling price of gold, in 1949, working costs in the gold mining industry have risen so rapidly and to such an extent that early advantages gained through devaluation have now almost disappeared. While the rise in gold mining costs during recent years has its origin principally in a general world-wide rise in prices, the position has been aggravated by supplementary inflationary conditions locally. This rising cost of production is particularly serious to those Mining Companies who have low profit margins.

The present unrealistic gold price has repercussions far and wide in the world's economy and social stability. One of the major problems is the inability to obtain security for one's future because of the progressive depreciation of currencies. It is the inevitable price of war that processes are set up leading to a constantly diminishing purchasing power of money, and, in the uneasy peace of the last decade, world conditions have continued to remain inimical to the restoration of stable currencies. In the aftermath of two major wars, the disruptive influence on the stability of our economic system is the one which demands the most urgent attention.

A generation has passed since the accelerated depreciation of currencies upon the reliance of which men had been inspired for so long towards attaining the goal of security for themselves and for those for whom they must care. The fast changing value of money—always downwards—as seen by this new generation, has tended to discourage thrift and to diminish the incentive for planning ahead for an ordered way of life. With this has come that relaxation of mental discipline which undermines the fibre of the individual, to the eventual detriment of the nation.

Two important and allied consequences of the failure of governments to maintain stability of currency are the discouragement of thrift and the stimulation of an unhealthy demand for consumable goods of all kinds—both potent causes of the inflationary trend

from which all countries are suffering today.

Wage increases in cash and in various guises have been granted from time to time in tacit recognition of lowered money values. This can only be a temporary palliative, however, as such expedients inevitably introduce a fresh wave of inflation and consequent further demands which can only be arrested by a physical inability to meet them because of the economic limitations of an employer's business.

The situation is a challenge which must be met successfully by the Western World.

Since the beginning of historic time gold has been the most highly prized and the most readily exchangeable commodity in the world. More rapid improvements in world standards of living date from the time when gold became more plentiful, or more correctly, less rare. In the period of nearly four centuries between 1492 and 1886, world production of gold amounted to approximately 12,200 tons, whereas in the 68 years between 1886 when the Witwatersrand was proclaimed a goldfield, and 1954, world production of gold totalled approximately 47,800 tons, i.e., the production since 1886 has increased fourfold in one-sixth the time. Of the 60,000 tons of world production of gold since the discovery of America by Columbus in 1492, the world stocks of monetary gold held in central banks and treasuries amounted in 1954 to about 40,000 tons, of which the USA held nearly 70 per cent. It is significant also that the 60,000 tons of gold produced in the world since 1492 has a value on today's price of gold of about 60,000 million dollars—a figure less than the value of one year's budget of the USA Government.

It seems abundantly clear, therefore, that the current production of gold falls far short of the world requirements, and therefore its overproduction cannot be envisaged. For this reason, and for the reason that monetary stocks of gold are seriously undervalued in relation to the monetary requirements of world trade, an upward revaluation of gold, in terms of universal currencies, including dollars, is a pressing necessity and cannot be delayed for very long. If we in South Africa, as a gold-producing country, stand to benefit when the necessary upward adjustment in the price of gold takes place, this would be incidental in the greater general world-wide gain. South Africa, already a major contributor to the store of needed gold, would add to its potential of remaining so by bringing in its ores which are uneconomic today, but the world would gain from currencies in equilibrium with gold, correctly priced, and so assist in promoting that tranquillity in the minds of men which is the keystone of world stability.

DIRECTORATE

I am pleased to report that Mr Anton Gray, who has had wide experience in mining in Southern Africa and who, up to last year, with a Director and a Vice-President (exploration) of the Kennecott Copper Corporation of America, has joined the Board of this Company with effect as from November 8, 1955.

BIRMID INDUSTRIES SUCCESSFUL TRADING

The annual general meeting of Birimid Industries Limited was held on December 13th at Birmingham, The Right Honourable Lord Burghley, KCMG (chairman of the company), presiding.

The following is an extract from his circulated address for the year ended July 31, 1955:

The high rates of production achieved in the previous year by the individual Group companies have been maintained or improved upon so that your company has experienced an even more successful year's trading than last year. I am bound to emphasise, however, as I did last year, that profit margins of the order of that shown by the Accounts can only result from high outputs which, in themselves, are dependent both upon available demand and productive capacity. Any fall in demand, therefore, which entails lower production rates would adversely affect profit margins.

Your Board are constantly alive to the need for developing cheaper and more flexible production methods, not only as a factor benefiting the national economy, but in order that the Group may operate successfully at lower outputs.

The total of capital and reserves now stands at £8,201,894. When this is compared with the issued capital of £2,397,500 it gives some idea of the magnitude of the resources of your company.

Demand has been well maintained throughout the year for all classes of cast and wrought products manufactured by the subsidiary companies. Indeed, it may be said that in many instances, sales have been limited by manufacturing capacity. Limitation of labour supply has been a prime factor preventing larger outputs being reached.

Despite this handicap, the design and introduction of better processes and equipment have led to steady improvements in output. Consequently, as compared with the last financial year, Group sales have risen by 27 per cent in value and 26.5 per cent in volume. Your companies have absorbed a high proportion of the cost increases consequent upon very considerable advances in wages and material costs.

It is not practicable to export the un-machined castings which form the output of your foundries. Indirectly, however, and particularly in the finished products of the motor and aircraft industries, your companies' products are exported to the extent of about 50 per cent of our output.

In the wrought light alloy field, Birimetals Limited maintain a very useful direct export trade in their specialised "Birmabright" alloys, and indirectly a much larger ratio of exports via the industries already mentioned.

The value of these exporting industries in earning vital overseas revenue cannot be exaggerated. We may be proud of the great part our Group plays in these important undertakings, which are so necessary for the nation's livelihood. The maintenance or expansion of these overseas markets, however, largely depends on our ability to maintain or lower prices, and these conditions cannot be met if wages and other costs are to be continually inflated, without a corresponding increase in productivity.

It is quite impossible to keep costs down against constantly rising wage rates and material prices, and it is much to be hoped that self-discipline in demanding and spending will restore full economic health without waiting for the unpleasant medicine of lost markets and unemployment.

The report and accounts were adopted.

O.K. BAZAARS (1929) (Incorporated in the Union of South Africa)

LARGER CONSOLIDATED NET PROFIT

DIRECTORS' REPORT ON PAST

YEAR'S OPERATIONS

The twenty-sixth annual general meeting of O.K. Bazaars (1929) Limited will be 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, 1955:—

To the Shareholders.

Your Directors submit herewith in respect of the year ended June 30, 1955:—

- (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 £847,906 as compared with £782,261 for the previous year. The net profit available for allocation and appropriation in the

1954		1955
2,871,547	Balance brought forward from previous year	2,114,168
782,261	Add: Profit for the year	847,906
3,653,808		2,962,074
49,959	Add: Dividends from subsidiary companies out of profits earned since acquisition and undistributed at June 30, 1953	...
3,703,767		2,962,074
187,539	Deduct: Preference dividends	187,539
3,516,228	Interim dividend of 20 per cent, declared June 27, 1955, since paid	2,774,535
1,141,782		400,000
2,374,446	Deduct: Transfer to Capital Reserve	2,374,535
260,278	Balance which your Directors recommend be dealt with as follows:—	
2,114,168	For the payment of a Final Dividend of 40 per cent (making a distribution for the year of 60 per cent) to holders of Ordinary, "A" Ordinary and "B" Ordinary Shares	260,278
	Balance to be carried forward	2,114,257

Accounts of the parent company has been dealt with as set out below:—

CONSOLIDATED

ACCOUNTS

Shareholders are referred to the Consolidated Accounts of the Company and its Subsidiaries which show the position of the Group as a whole. The Consolidated Net Profit, after deducting all expenses, taxation and the interests of outside shareholders, is £1,099,579, which compares with £853,090 for 1954. The 1955 figures include a capital profit of £133,682, being the surplus realised on the disposal of certain fixed assets. There

has been transferred from Unappropriated Profits to Capital Reserve an amount of £400,000, which, together with that portion of the pre-acquisition profits of a Subsidiary, increase Capital Reserve to £4,085,888, as against the 1954 figure of £3,664,096. After the transfer to Capital Reserve of £400,000, General Reserves and Unappropriated Profits total £2,867,585, an increase of £261,075 over last year's figure. Capital and Reserves are £8,644,441, compared with £7,961,301 at June 30, 1954, after provision has been made for dividends. The increase in the Balance Sheet figure under the heading of "Property" is due to the acquisition of building sites, the erection of new branches and the inclusion in the Group figures of the properties belonging to the Fresta Group of Companies which are now wholly owned Subsidiaries and in consequence do not appear under the heading of "Investments." The shareholding in Dok Holdings (Pty.) Limited no longer appears as a "Trade Investment," and the surplus realised on the sale of this asset is included in the capital profit referred to above. The increase of £1,206,195 in trading stocks compared with 1954 is due to the opening of new branches, increased turnover, and the incorporation in the Consolidated Accounts of the trading stocks of the Fresta Group of Companies.

Raphael Brothers Limited and Sowden and Stoddart Limited.—Raphael Brothers Limited, a wholly owned Subsidiary Com-

pany, earned a satisfactory return on the Company's capital investment and Sowden and Stoddart Limited, a Subsidiary, showed improved trading results over last year.

C.T.C. Bazaars (South Africa) Limited.—Your Company continues to hold 54 per cent of the issued Ordinary Share Capital of C.T.C. Bazaars (South Africa) Limited, which Company is again paying a dividend of 10 per cent, the same as last year.

OTHER INTERESTS

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 this investment.

DEVELOPMENT

We are proceeding with our programme of enlarging and modernising existing premises, including those held under long-term leases. A number of trading sites, both in the Union and in the Rhodesias, have been purchased with the object of opening new branches, some of which are presently in the course of construction, and others in the planning stage.

During the year a branch was opened at Kroonstad, and since the end of the financial year we opened a Supermarket at Kenilworth, a Johannesburg suburb; we shall open a branch this month at Worcester. The rebuilding of the Durban store is progressing according to schedule, and the Company is already trading in a rebuilt portion of the new building.

GENERAL

There has been a marked improvement in locally manufactured merchandise, and we compliment the manufacturers on the high standard of their products. Although a certain amount of imported merchandise is still essential, over 80 per cent of all our requirements are purchased locally.

Business throughout the Union and the Rhodesias during the year under review has been good, and indications are that the current year will be no less satisfactory. Your Directors are optimistic of the future of both

the Union and the Rhodesias, and it is their opinion that it is in the best interests of the Company to proceed expeditiously with its expansion programme.

The attention of Shareholders is directed to the enclosed Circular and Notice, from which it will be seen that Resolutions will be submitted to Shareholders to approve (a) a Rights Issue of new Ordinary, "A" Ordinary and "B" Ordinary shares to holders of those classes of shares respectively, and (b) an offer to Shareholders of C.T.C. Bazaars (South Africa) Limited for the acquisition of their shares in that Company by an exchange of shares in O.K. Bazaars (1929) Limited.

The progress of our organisation and the satisfactory trading results could not have been accomplished without the enthusiastic and loyal co-operation and the efficient services of our 8,000 employees. The welfare of our staff is of first importance, and we provide many staff amenities which are constantly being extended and improved. We take this opportunity of extending to all members of the staff our thanks and appreciation for their services.

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

(Here follow details of Resolutions of Subsidiary Companies approved during the year.)

On behalf of the Board,
S. COHEN,
Chairman
M. MILLER,
Deputy-Chairman
Johannesburg,
November 30, 1955

Directors

THE CANADIAN BANK OF COMMERCE

RECORD YEAR OF GROWTH

MR JAMES STEWART ON THE ENCOURAGING OUTLOOK

The eighty-ninth annual meeting of The Canadian Bank of Commerce was held on December 13th in Toronto.

Mr James Stewart, CBE, the President, in the course of his speech, said: As we turn our thoughts to the year ahead, it is well to bear in mind the continuing importance of our trade to the maintenance of a high level of business activity. It may well be that the diversity and depth of our industrial evolution has provided some degree of "insulation" from recessions in other parts of the free world. On the other hand, the upsurge in United States business conditions certainly played an important part in stimulating our economic recovery this year. If it can be anticipated that the momentum presently inherent in the American economy will carry well into the coming year, then we can expect continued demand for our export products and confidence in business.

Looking at Canada's Gross National Production, the President continued: We seem at this point to have established a tempo of production and consumption . . . approximately \$26 billion. If productivity improves during the coming twelve months by two or three per cent in the aggregate, and if we assume even an average agricultural output, we well might anticipate an even higher Gross National Product for 1956. If confidence in the future continues firm, then business in most fields of activity should continue to show further improvement.

Reviewing the past twelve months, Mr Stewart said: 1955 has turned out to be a record year. The encouraging feature of the current picture is the recovery from the slow-down in business activity that took place

during 1954 and which continued into the early months of 1955.

I would conclude on a note of caution arising from the growing awareness of the fact that scientific developments well may have brought us closer to the absence of war as we understand it now. In fact, atomic and nuclear developments seem at this time to have generated a form of military stalemate. We must adjust our thinking to meet the change that this signifies. But of even greater significance to my mind is that under such conditions the dangers of propaganda are heightened rather than reduced. We must be on guard lest internal disturbances and doubts weaken the political and social fabric to the end that our basic objectives are obscured or that we lose the will to defend them. We must learn to live with the technological and scientific developments that we already have witnessed and those that are ahead of us, and we must resist attempts to destroy the political and economic framework within which we have accomplished so much.

GENERAL MANAGER'S REMARKS

Mr Neil J. McKinnon, Vice-President and General Manager, said: Total assets have increased to more than \$2,356 million in a record-breaking year of growth. Aggregate deposits increased by more than \$272 million over the previous year, and total assets increased by over \$298 million, reflecting the greatest year of growth in the Bank's history.

Reviewing business conditions during the past year, Mr McKinnon noted that the aggregate increase of all forms of credit had been substantial and said some degree of restraint would be justified to guard against "unwarranted expansion." However, he stressed that there should always be adaptation to the needs of business growth. He continued: The banking mechanism is a sensitive one, and policies and attitudes ought to be flexible at all times—with a full understanding that the business and trading environment is constantly in a process of change. The report was adopted.

THE CRITTALL MANUFACTURING COMPANY

OVERALL TRADING IMPROVEMENT

The thirty-first annual general meeting of The Crittall Manufacturing Company Limited was held on December 14th in London, Lord Braintree (the Chairman) presiding.

The following is an extract from his circulated review: The trading profits for the year, excluding investment income, amounted to £508,677, as compared with £452,225 for the previous year. This increase was primarily due to improvement in the results of the Parent Company, but each of the Subsidiary Companies consolidated have shown improved trading profits.

There has been a considerable increase in turnover as compared with the previous year. Against this, however, we have had to face very considerable increases in costs of raw materials, services, salaries, wages, etc.

So far as materials are concerned, the rises have been most serious in steel, brass and spelter. Under these headings alone we have had to bear an increased cost of £33,000 during the period; in a full year this would amount to £200,000.

National awards in respect of wages and salaries are responsible for an increased cost of £46,000 in the period; in a full year this would amount to £110,000. Finally, and in addition to all this, coal and steel increases in particular affected prices of many of the services and materials purchased by the Company.

Constant efforts have been made during the year to offset the effect of these increases by economies and improvements in manufacturing methods. Very considerable success was achieved in this direction.

It has long been the policy of this Company to use these economies to offset increases in cost. Unfortunately, however, the magnitude of the increases above referred to made it impossible for them all to be absorbed in this way. Consequently we have had to introduce certain limited increases in selling prices.

There has been a considerable increase in the volume of standard windows supplied for the rehousing requirements of the home market. In addition, the year has seen a marked increase in demand for all types of purpose made windows for the capital rebuilding that is now undoubtedly getting under way in this country. Overseas the sales figures reached an all-time record level of just over £1,600,000.

The current year has opened with a larger volume of orders on the books and work going through the factories than last year. It would, however, be foolish to prophesy that this state of things can easily be maintained throughout the period. The curb on house-building is already operating and this must inevitably have some effect on the demand for this product.

In other classes of building there is at the present moment a demand considerably larger than last year, but it seems inevitable that measures of national economy must adversely affect many classes of building. I am not without hope that the building trade, both builders and manufacturers, may make a contribution to maintaining high-scale production by shaving prices with the object of bringing about a more economic cost of building.

The report was adopted and the final dividend of 10 per cent, making 15 per cent for the year, was approved.

GLAXO LABORATORIES

WORLD-WIDE SALES PROGRESS

PRICE REDUCTIONS ACHIEVED BY IMPROVED TECHNIQUES

SIR HARRY JEPHCOTT ON OVERSEA INVESTMENT

The twenty-first annual general meeting of Glaxo Laboratories Limited was held on December 13th in London, Sir Harry Jephcott, MSc, FRIC, FPS, chairman and managing director, presiding.

The following is an extract from his review, which had been circulated with the report and accounts for the year ended June 30, 1955:

In last year's review I indicated that, because of the nature of our business, it would be wise to make further allocations to Capital Reserve and £500,000 has been added. In addition £500,000 has been placed to General Reserve Reserve, £100,000 to Exchange Reserve, referred to later, and £100,000 to superannuation and widows' pensions, provision for which is still far from adequate.

To reduce the disparity between interim and final dividends, we intend, so far as is practicable, to pay interim dividends of one-half the total distribution for the previous year, and an endeavour will be made to issue with the announcement a progress statement, though the extent of our overseas interests raises certain difficulties.

Difficult trading conditions have continued, but we have more than maintained our position. Our sales world-wide have increased by 8 per cent in value, and much more in volume, but at reduced profit margins. The sales increase was widely distributed amongst our many products, and it was especially pleasing that its oldest section, the infant food products, shared fully in the increase.

EXPANDING EFFICIENCY

It has long been our policy to give customers the benefits of economies in manufacture, and recently a number of price reductions were made at home and abroad. We know that these reductions will be as welcome to the Minister of Health at home as they are valued by our many customers abroad. The prices today of those pharmaceutical products we sold to the public in 1939 are, on the average, less than they were 16 years ago; this at the end of a period during which the cost of most goods and services has trebled.

The new freedom in the manufacture of and trade in dairy products has so far been rather to our advantage than the reverse. We are, however, faced with substantial capital expenditure in re-equipping our food factories at home and overseas with modern machinery, to secure the highest quality and lowest costs of production.

The overall consumption of antibiotics continues to expand, though competition, especially in some export markets, is very keen. We can continue to operate profitably in this field only by maintaining the highest technical efficiency.

Our cortisone, manufactured from hecogenin—a substance obtained from sisal grown in East Africa—is now in production and the output increases as the supply of raw material expands.

Our Virus Research Laboratory continues its work on poliomyelitis vaccine, and we are in consultation with the Medical Research Council and the Ministry of Health. The events in the USA earlier this year have

shown the need for further work to remove any risk, however remote, in its use. We have no doubt that this work, also going on in the USA and Canada, will produce a safe and effective vaccine.

NEW VENTURES

A building programme estimated to cost £600,000 is now being carried out. More office space is being provided at our Greenford headquarters and early next spring our Departments of Experimental Medicine and Bacteriology will move into a new block that will provide adequately for expansion. Extensions to our factory buildings will be completed towards the end of 1956.

In the production of pharmaceutical products great changes in medical needs are taking place owing to new knowledge. New drugs are discovered which replace the old. Some discoveries become permanently established; others do no more than meet a passing need. To maintain our position we must keep abreast of developments; consequently our annual expenditure on research now exceeds £500,000.

It is now established that some antibiotics, for instance streptomycin, have valuable application in the prevention and cure of certain fungal diseases of plants.

Our Research Department has been concerned with this development for some time, but, as we had not any experience in the marketing of horticultural products, we have acquired the Murphy Chemical Company, which has been long established in this field and has a high reputation. It will continue to operate as a separate organisation and under the same management, but in close co-operation with us.

A further substantial investment will be needed to provide adequate facilities for its expanding business. I take this opportunity for welcoming our new associates and assuring them they will receive our wholehearted support in the growth of our joint venture.

GLAXO TODAY

It is clear from comments received that some are unaware of the great changes that have taken place in the Company's activities since the first public issue in 1919. Then, apart from a substantial merchandising business, we were solely concerned in the manufacture and sale of the infant foods from which the Company's name derives.

Today we have a variety of manufacturing activities and products. We conduct our business in many countries with our own organisation and, often, manufacturing facilities. These developments in scope and geographical distribution have, by broadening the avenues of demand, added stability to our trading. At the same time they have introduced new difficulties.

In the present uncertain state of the world, the devaluation of currency, such as recently took place in Pakistan, may result in losses which are sometimes more nominal than real. Nevertheless, world-wide trading cannot be conducted without the risk of exchange losses and, as I mentioned earlier, we have added £100,000 to our Exchange Reserve.

Further, many countries encourage economically premature manufacture within their

own boundaries, accelerating our long-term plans for the establishment of factories overseas. We have invested more than £2 million in overseas subsidiary companies during the past five years.

There is inevitably a long time lag between the provision of funds and their translation into a live, virile organisation. Good progress is being made, but we shall need to wait a while longer before we reap the benefits of our actions—and, as your Board firmly believes, our foresight.

I close this review with sincere thanks to the men and women, at home and abroad, whose work has so largely contributed to the year's good results. Circumstances beyond our control, especially in overseas markets, constantly impose unforeseen and unforeseeable demands upon production. All these emergencies have been willingly met by the staff and, with their continued help and co-operation, we may look forward to another year of profitable trading.

The report was adopted.

THE FINANCIAL TIMES LIMITED

LORD BRACKEN'S ADDRESS

The twenty-eighth annual general meeting of The Financial Times Limited was held on December 13th at Winchester House, Old Broad Street, London, EC.

The Right Honourable The Viscount Bracken, PC (chairman of the company) said:

Your Board believes that the managing director and his colleagues in the management of this company deserve some praise for increasing profits in a year marked by protracted and extremely costly strikes.

"FREE PRESS"

Through the efforts of two Trade Unions all the London newspapers were forced to cease publication for nearly four weeks. All that need be said about this performance is that one of the peculiar signs of progress in the second half of the twentieth century is that freedom of speech is no longer synonymous with freedom of publication. A free press which is a right of the public, not of the newspapers, was established in Britain after long and arduous public agitations and Parliamentary struggles. This right has also been guarded by generations of judges. It can now be effectively vitiated at the whim of a comparatively small number of persons with some mechanical training.

COSTLY IMPROVISATIONS

The railway strike deranged most of our methods of distribution. While this strike did not force us to cease publication the cost of the improvisations necessary to get the paper to our readers was very considerable. It is almost unnecessary to add that both strikes led to sharp losses in revenue.

EARNINGS

As you will see from the accounts we are now considering, a resourceful management in the end succeeded in recovering losses and slightly increasing our consolidated profits before taxation. These amounted to £547,414 compared with £542,477 in the previous twelve months. We recommend, as we did last year, a final dividend of 12½ per cent and a bonus of 7½ per cent, making a total payment for the year of 32½ per cent.

PROGRESS

During the past year the circulation of the *Financial Times* has increased and has now

reached a record level. There is nothing surprising about this development. If you appoint a good editor and leave him alone; if you steadily increase information and features of much practical value to every trader, factory manager and investor, your paper cannot fail to grow in repute and circulation. One of the outstanding developments of the *Financial Times* in the last decade is that it continues to publish more information about the applications of science to industry and the creation of new techniques in management than any other daily newspaper in the world.

NEW OR TRANSFORMED INDUSTRIES

For many a year the *Financial Times* has stressed the truth that Britain, an island with few natural resources, cannot hope to maintain a good standard of living for all its people without an ever-increasing partnership between the laboratory and the factory. During the next quarter of a century some sections of our older industries will wither, some may die. But their places can be taken by a variety of new industries or widely saleable new products, most of which will be hatched in our laboratories. A country like ours with its many good workers by hand and brain, its primacy in fundamental

research, and its matchless engineering, financial, insurance and shipping skills, to mention but a few of its resources, has no reason to be faint-hearted.

BOOM FOREVER?

Britain can meet competition from any quarter granted industrial peace and some awareness in Whitehall of the folly of taking away more than half of the earnings of industry. Britain's industrialists and other traders should be allowed to retain far more of their earnings for the purchase of the best plant and equipment: for education, research and for the creation of larger cash reserves, which are much needed. This feverish post-war boom is not likely to last for ever, nor will foreign competition diminish.

REHOUSING

Some of our scattered offices and our main printing buildings are over-ripe specimens of Victorian or Albertian architecture. For the purpose of modern newspaper production they could hardly be more inconvenient and therefore costly. Our editorial department is separated by more than a mile from the printing plant. Our staff is working uncomfortably and uneconomically in six scattered buildings. The most of our leases are run-

investments in these companies stand in our Balance Sheet is far below their present value.

DIVIDEND

We are recommending payment of a final dividend of 20 per cent, making 30 per cent for the year, which is at the same rate on the 5s. shares as the 75 per cent we paid last year on the 2s. shares.

We have again included in the report and accounts some information relating to our various interests, all of which have continued to hold their pre-eminent position in their respective fields. In June, 1954, the *Investors' Chronicle* joined the Audit Bureau of Circulations, being the only publication in its specialised field to belong to that body. Its weekly circulation exceeds 27,000, a remarkable figure for a technical periodical of its character. Much of the progress of this paper is due to its sage and lively editor, Mr Harold Wincott. The *Investors' Chronicle* is an essential weekly investment for all those concerned with the management of their own or other people's money.

MR GEOFFREY CROWTHER

Of our various other interests, there is little for me to add. I would, however, make special reference to the editorship of *The Economist*, about which a public announcement was recently made. Mr Geoffrey Crowther is retiring from that post next year, after serving for 17 years, broken only by a period of public service in the last war.

Of Walter Bagehot, Mr Crowther's great predecessor in the editorship of *The Economist*, Mr Gladstone said: "During the time I was Chancellor of the Exchequer I had the advantage of frequent and free communication with him on all matters of finance and currency. Nor have I, in my experience, known anyone from whom in this important province more was to be desired, or who was more free and genial in the communication of his large knowledge and matured reflection." These words are also an appropriate description of Mr Crowther.

He has transformed *The Economist*. During his editorship the circulation has been multiplied by five, and it is now one of the

ning out. The war and building restrictions have too long prevented us from building premises adequate to our ever-expanding needs.

Last year I asked for your authority to obtain a site which would enable us to rehouse our newspapers and the St Clements Press and to provide room for future expansion. We have now got one. We shall soon sign a lease granted by the Corporation of the City of London for a site lying between Cannon Street and Queen Victoria Street, a little east of St Paul's Cathedral.

PLANS NEAR COMPLETION

Our plans for the new building are almost completed and we are applying to the Capital Issues Committee for permission to borrow the money required to finance this considerable project. I don't like spending much money on bricks and steel at a time when builders' costs are very big and indeed often incalculable. But there is no alternative unless someone is brave enough to assert that in this age of creeping inflation building costs are likely to fall. We hope to take possession of the new building before the end of three years.

The report and accounts were unanimously adopted.

most respected and most quoted papers in the world. Some people even deem it infallible—if it were it would not be so many-sided, lively and sometimes dancive. Wisdom and liveliness go well together.

When Mr Crowther retires from the editorship he will become a Managing-Director of *The Economist*.

The report and accounts were unanimously adopted.

NORTH KALGURLI

SATISFACTORY DEVELOPMENT

The annual general meeting of North Kalgurli (1912), Limited, was held on December 14th in London, Mr H. A. Kemlo, chairman, presiding.

The following are extracts from his circulated statement:

During the period covered by the Profit and Loss account we treated 323,725 tons of ore, with a gold content of 80,385 oz, the proceeds of ore amounting to £910,391. Mining costs were £753,295 and the net profit before taxation was £123,879 for the period of 64 weeks, against £135,775 for the previous period of 52 weeks. The lower profit is almost entirely due to premium sales having virtually come to an end, but in addition the average grade of ore treated was rather lower than in the previous year.

With a programme of capital expenditure under way the board have thought it prudent to allocate a further £20,000 to reserve, and to recommend a final dividend of 6d. a share, leaving a slightly reduced carry forward.

Mine development continues to be satisfactory. Since the end of the period covered by the accounts, monthly development footage has averaged around 1,100 feet, compared with an average of 881 feet during 1954.

We have a Mine of great potentialities, and the efficiency of our operations under our able General Manager and his loyal and enthusiastic staff is first class. It is this factor of efficiency, above all, which has made it possible for us to operate at a profit, although costs generally have been rising against a fixed price for gold, and which enables us to face the future with confidence.

The report and accounts were adopted.

JACKSON THE TAILOR LIMITED

(A Company in Association with
Montague Burton Limited)

GROUP RESULTS CONTINUE ON SATISFACTORY BASIS

EXPANSION OF TURNOVER

MR LIONEL JACOBSON'S STATEMENT

The Twenty-third annual general meeting of members of Jackson The Tailor Limited was held on December 14th at the Registered Office of the Company, 94 Clayton Street, Newcastle upon Tyne, Mr Lionel Jacobson (Chairman and Joint Managing Director) presiding.

The Secretary (Mr T. T. Scott) read the notice convening the meeting and the report of the auditors.

The following is the Statement by the Chairman which had been circulated to the Members with the report and accounts, and was taken as read:

These financial accounts cover a trading period of seventeen months to August 31, 1955. You will no doubt remember that your Board had given careful consideration to the change in the financial year end and this date was considered most suitable in that seasonal stocks are at their lowest ebb at that time of the year.

In consequence the accounts for the period do not lend themselves as readily to comparison with previous years nor in particular with the previous period of fourteen months. However, it will be evident that the results of the Group continue on a satisfactory basis.

SUCCESSFUL BRANCH DEVELOPMENTS

During the period under review the Retail Division has opened eight new branches in Wolverhampton, Bradford, Preston, Nottingham, Paisley, Coventry, Birmingham and Glasgow, all in key sites. In addition in St. Helens, Oldham and Warrington we have moved from our old sites to larger and more central positions where we are able to offer improved accommodation and service to our customers. I am glad to report that each and every one of these developments has proved a successful investment and will in due course reflect satisfactorily in the trading accounts. We are continuing with our programme of modernising existing branches with the resultant benefit to the older shops of the Group. An outstanding example of this is our original shop at 94 Clayton Street, Newcastle upon Tyne, in which a modern front has been installed and where this winter we are preparing to completely refit the interior. The beneficial influence of this policy of opening new branches and modernising existing branches will be evident from the accounts before you. Our turnover has increased and a larger proportion of the public than ever before are now being clothed by Jackson The Tailor.

Expansion of our turnover and manufacturing demand has necessitated further developments and we have acquired an excellent building in Newcastle upon Tyne in which for the first time for many years we have been able to centralise the warehousing of our Ready-to-Wear stocks and as a result give improved service to our customers.

As I anticipated in my last Report competition in our trade has intensified and

shows no signs of abating. We have, however, always based our policy on the minimum possible retail margins and since the end of our financial year our turnover has continued to improve and I feel we can look with some confidence to the future. In such circumstances with the further planned increase in the number of our branches and the prospect of expanded trade from our present Group we are continuing our policy of developing the Manufacturing Division. A new Works has been acquired in Sunderland and I am pleased to inform you that production has already commenced and will in due course provide a further valuable source of supply. In addition we have in hand a new Works at Gateshead which should be producing by the late Spring of 1956. When completed this Works will be the most modern and finest equipped in the North of England, if not in the whole country, and should ensure a steady flow of well-cut and well-tailored suits. These are the qualities on which the Jackson The Tailor business has been founded and through which it has expanded so vigorously in the past decade.

During the interim period prior to these developments the Manufacturing Division has had to contend with the heavy burden placed upon it by the demands of the public for our product. I am sure I am expressing your feelings as well as my own when I say how gratified we are at the manner in which they have overcome these difficulties and at the same time have continued to maintain the high standard of tailoring required.

PENSION SCHEME FOR WORKS EMPLOYEES

It has been felt for some time that some provision should be made for the payment of pensions to Works employees. Such a scheme is, of course, expensive, involving as it must some element for past service pensions for those of our employees who have been with us for many years. Further, it is usual for such schemes to be non-contributory, benefits being provided entirely from the Company's contributions. I am, however, pleased to announce that your Group has inaugurated such a scheme with effect from January 1st next. This means that now all employees of the Group will have the opportunity to enjoy a pension on retirement. Suggested improvements to the existing Staff Pension Scheme are now under consideration.

I should like to express my very sincere appreciation of the support I have received from all members of both the Executive and Retail staff during the last seventeen months.

The report and accounts were adopted.

The retiring directors, Mr S. H. Burton and Mr R. M. Burton, were re-elected, and the remuneration of the auditors, Messrs Price Waterhouse and Co., having been fixed, the proceedings terminated.

JOHN SMITH'S TADCASTER BREWERY LIMITED

LARGER PROFIT

The sixty-third annual general meeting of this company was held on December 12th at Tadcaster.

Mr W. H. D. Riley-Smith, chairman, in the course of his speech, said: The year under review has been one of contrast in trade conditions in the area which your company serves. In the first part of the year bad weather and industrial unrest in the South Yorkshire coalfield, the Docks and the Railways depressed sales, but we were helped by the warm and thirsty summer which followed, and the trading profit for the year ended September 30, 1955, at £1,163,447 was £33,175 higher than the previous year. Your directors recommend a final dividend of 9 per cent on the Ordinary Capital, making 14 per cent for the year.

Although there has been some relief in the burden of taxation, it still accounts for 10s. 10d. out of every £1 of profits. While the recent increase in distributed profits tax does not affect the figures now under review, in a full year, if we continue to pay dividends at the present rates, it will cost your company an additional £19,750. I would underline that distributed profits tax is charged not only on ordinary dividends but also on the fixed dividends payable on preference capital, so that in effect the profits tax on preference dividends has to come out of the profits available for distribution to ordinary shareholders. When I go on to tell you that 12s. 4d. out of each £1 of our sales has to be paid in beer duty, you will realise how great a tax collector is the brewing industry.

NEW HOUSES AND IMPROVEMENTS

Since I spoke to you last year we have opened four of the six licensed houses which I then said were being built, and the other two will be open early in the New Year. Next year we shall have another four houses going up and more are on the drawing board. We now know that within the next few years very many of our public houses will be affected by Clearance and Redevelopment Schemes, and, carrying out a policy of following the population, we have in hand necessary applications for new licences or removal orders. While this programme must cost us a lot of money, it is difficult to forecast accurately the overall effect on our trade in moving from older and dwindling centres of population to new and increasing ones, but it is in the best interests of our customers and your company that we should do so.

Our trade finds itself in a perplexing situation. There has, in recent years, been justifiable complaint about the amenities of some licensed properties. Until two years ago we were unable to carry out the improvements which we wanted and the public wanted because of building restrictions. As soon as we were able, we have set about our long overdue programme, and now the nation is exhorted to cut down on capital expense. I know that you will agree with me when I say that we must now proceed with our improvements, some of which have been waiting for sixteen years, and proceed with them to the limit of our resources. It is to be deplored that under existing legislation no allowance for taxation purposes is given on this type of capital expenditure but we deem it wise to provide in the company's accounts for depreciation on all its properties.

The report and accounts were adopted.

DEBENHAMS LIMITED

RESULTS AGAIN A RECORD

MR G. M. WRIGHT'S REVIEW

The annual general meeting of Debenhams Limited was held on December 14, in London, Mr G. M. Wright, ACA (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The Consolidated Trading Profit for the year ended July 31, 1955, has risen to the record figure of £5,025,131 from £4,797,347 last year. Net Profit, before taxation, is £4,366,057. Taxation requires £2,473,929, being 57 per cent of the Net Profit, as against 62 per cent last year.

The Consolidated Net Profit, after taxation, amounts to £1,892,128, and shows an increase over last year of £282,158. After crediting taxation provisions no longer required of £98,389 and debiting profits attributable to minority shareholdings, an amount of £576,433 has been retained by the subsidiary companies and £1,190,430, compared with £1,039,336, has been made available for appropriation.

The Directors recommend that £150,000 be placed to Reserve Fund and a Final Dividend of 2s. per share (making 2s. 9d. for the year) be paid on the Ordinary Shares. The balance carried forward to next account is increased by £36,617.

In February this year the borrowing powers of the Directors were increased in order to enable an issue of Debenture Stock to be made, but that proposed issue was forestalled at the last moment by a sharp increase in money rates. Owing to the continuance of these high rates, no further steps have so far been taken, but the programme of reconstruction and development must proceed, and the estimate of the Directors that some £4 million will be required from outside sources during the next few years still holds good. This programme is now depleting the cash resources of the Group; as the new stores which are replacing those destroyed in the war approach completion, so the strain on those resources will rapidly increase. It is in the best interests of the Company that this work of reconstruction should be completed in accordance with present plans, and therefore the Directors consider that it is their duty to follow a policy of retrenchment whilst the economic state of the country dictates that money should be dear and credit should be difficult.

Consolidated Balance Sheet: The surplus of Current Assets over Current Liabilities is £4,951,987, compared with £5,964,975 last year, but the Group reserves have been augmented by £1,063,241.

REBUILDING PROGRAMME

The eight large stores destroyed in the war represented an important part of our Organisation, and for this reason I have been careful to keep shareholders fully informed about the progress of the rebuilding programme. I am pleased to inform you that work on the new buildings is now proceeding apace and completion of these various reconstructions is in sight. Handleys of Southsea was opened for full trading in May last. Spooners of Plymouth is in the final stages of completion, and Marshall and Snelgrove of Birmingham will be finished early next year. The remaining stores will be completed within two to three years (some will be ready before that time, notably Curl Brothers, Limited, and Thornton-

Varley, Limited). Then, for the first time since the outbreak of war, we shall be able to reap the benefit of trading from properly equipped premises under normal conditions.

In the course of the year Debenhams and Freebody have converted their second floor into a Budget Shop, where moderately priced merchandise is displayed in the most attractive surroundings. The Budget Shop is the last stage in a planned extension of this store.

SUBSIDIARIES' PROGRESS

The profits of some of the larger subsidiaries are published and have in the main shown an improvement. A similar upward tendency is manifest throughout the majority of the other associated businesses, all of which I believe to be in a sound financial condition. As I have frequently stated, the wide-flung nature of our interests, which cater for all classes of trade, is a great asset to the Group, and has a steadying effect on earnings.

The process of modernisation is continuing, the most recent examples being at Affleck and Brown Limited, of Manchester; Bobby and Company Limited, of Leamington; Z. Dudley Limited, of Kingsland Road, E.; Kennards Limited, of Redhill; Pauldens Limited, of Manchester; and Plummer Roddis Limited, of Brighton.

No other stores have been acquired since I last reported to you, but in December, 1954, we purchased the freehold of Beacon House, Bristol. Part of the lower floors is occupied by our subsidiary, Jones and Company Limited, pending completion of their new building, which is now making excellent progress. The upper floors are suitable for offices, and it is intended to let this accommodation accordingly. In due course we shall develop this property as a modern store in the Marshall Group, for which purpose this building and its position are very well suited.

THE OUTLOOK

There is no doubt that our most pressing problems are twofold; ever-rising expenses and shortage of staff. The difficulty of controlling expenses is not a new subject for comment, but it is none the less an important one. I can only repeat that everything that can be done is done to keep these massive overheads at a reasonable level. The staff problem is common to all, and there is no easy solution to it.

The factors affecting trade in these times are many and varied, and although the physical controls which we endured in recent years have to a great extent been abandoned, we are still very much at the mercy of a Government fighting inflation, and the recent increase in purchase tax, designed to curb home consumption, is a case in point. I therefore find myself unable to forecast, with any degree of certainty, the immediate trading possibilities, but taking the longer view I consider the prospects are not unfavourable. Many of our businesses have been modernised and refitted and, when the new stores, which are on a larger scale than the old, are rebuilt, we shall be able to throw our full weight into competitive retailing, ready to grasp the opportunities that are open to us.

The report and accounts were adopted.

CONSOLIDATED GOLD FIELDS OF SOUTH AFRICA, LIMITED

RECORD INCOME

The annual general meeting of this company was held on December 8th in London.

Mr Robert Annan, the chairman, in the course of his speech, said: Turning first to the accounts of the operating company, New Consolidated Gold Fields Limited, the Working Profit for the year amounted to £1,828,000. The principal contribution continues to be made by dividends and interest on our investments, which at £1,467,000 constitute a further record and reflect the steady development of our important interests in the gold mines on the Far West Rand and in the production of platinum. The net profit for the year is £948,000.

We are submitting a resolution for the increase of the company's capital by the creation of 500,000 new Ordinary shares of £1 each, with the object of making an offer to the shareholders of The Gold Fields Rhodesian Development Company Limited to exchange their shares on the basis of one Gold Fields share for six shares of Gold Fields Rhodesian Development.

Our principal interest is still in gold mining, representing 77 per cent of the Stock Exchange value of our quoted investments. With large holdings in West Driefontein and Doornfontein where earnings are increasing, and in West Wits which will benefit accordingly, and our substantial holdings in Free State companies which are still developing or have yet to reach full production, our dividend income should continue to increase, provided the present operating conditions are maintained. The report was adopted.

W. & J. LAWLEY

The sixteenth annual general meeting of W. & J. Lawley, Limited, was held on December 14th in Birmingham.

Mr H. J. Gaunt (chairman and joint managing director) presided and, in the course of his speech, said:

The net profit for the year before taxation amounts to £55,887 as compared with £41,688 in the previous year. It is gratifying to be able to report this improvement in profits which arises largely as a result of a sharp increase in sales.

Out of the profit of £55,887 taxation requires £30,217, leaving a balance of £25,670. Your Directors recommend a dividend of 25 per cent.

Regarding the future, we cannot forecast what effect Government Policy will have on the Building Programme, but providing this is maintained at somewhere near its present level, we feel we can look forward with every confidence.

We have agreed to acquire the whole of the Issued Capital of E. Partridge and Company (Old Hill) Limited, who are makers of Drop Forgings, Smith Forgings and General Presswork. As substantial suppliers to the Building Trade this new acquisition will work in very happily with our own products, and should be greatly to our mutual advantage.

The Consideration for the Acquisition of the Company is the payment of £60,000 in cash and the Allotment credited as fully paid up of 400,000 1s. Ordinary Shares in W. & J. Lawley Limited.

The report was adopted, and at the subsequent Extraordinary General Meeting the creation of the additional Capital was approved.

INDIAN IRON AND STEEL COMPANY

RECORD PRODUCTION

MR T. LESLIE MARTIN'S REVIEW

The thirty-eighth general meeting of The Indian Iron and Steel Company, Limited, was held on November 28th in Calcutta.

Mr T. Leslie Martin, the chairman, in the course of his speech said: The outstanding feature of the working results of your Company for the year under review was the phenomenal production of finished steel which constitutes a record for the Company.

Given plant facilities and availability of raw materials, production is, of course, governed primarily by the will to work on the part of labour and I am pleased to report that since the unfortunate events of 1953 there has been a vast improvement in efficiency and effort on the part of the workers. Apart from the fact that without co-operative effort no industry can progress, this effort under a modern wage structure such as that adopted by your Company, brings its own material reward as the particulars of our payments to employees will demonstrate and it is more than unfortunate that the present incidence of taxation levied by Government denies any commensurate monetary reward to the executive and managerial staff on whose efforts, equally with those of labour, progress must depend.

IMPROVEMENT IN EFFICIENCY

The improvement in efficiency was very marked in the Melting Shop, where a large reduction was effected in the time taken for the repair of the Open Hearth Furnaces and with the added availability of the Furnaces it was, thus, possible to fully utilise the large stocks of pig iron and steel scrap that had accumulated as a result of the 1953 labour troubles in supplementation of the 521,838 tons of hot metal produced for steel-making purposes available from the two Blast Furnaces at Burnpur.

The output of steel ingots at 528,118 tons was, accordingly, a record for the Company and this, again, was increased by the large accumulated stock of ingots carried over from the preceding year. The Rolling Mills responded admirably to the challenge of the available tonnage of ingots with the result that a record production of 461,013 tons of saleable steel was finally achieved.

In view of the fact that the accumulated stocks of pig iron, steel scrap and rollable steel ingots have so greatly augmented the total production of finished steel during the year under review, it must be borne in mind that it is extremely unlikely that output results for the year 1954-55 will be repeated. There are other factors which may, and in all probability will, affect this.

DIVIDENDS

In the course of the early negotiations in 1952 in connection with the financial arrangements to be made to provide for the extensions now in progress, Government stated that in view of the large amount of finance that had to be provided by the Company from its own resources and the heavy indebtedness on loan account that would be incurred, they must be consulted in the matter of the distribution of profits earned, and at the appropriate time, commencing in June last, detailed and prolonged representations were accordingly made to Government to permit under the exceptional circumstances, not necessarily a

raising of the basic rate of dividend, but at least a payment of a special cash bonus for the year in order to allow to the shareholders some participation in the increased prosperity of the Company.

It is a matter of a great regret to your Directors that Government could not see their way to concede this or to take a wider view in the matter under the exceptional circumstances which were fully explained to them. Your Board, however, consider themselves bound by the orders of the Government on whose goodwill we must depend for discharging those onerous obligations which we have undertaken in connection with the expansion of the Company. These orders, they feel, cannot be ignored or their legality challenged without serious detriment to the interest of the Company. I urge upon you, therefore, the desirability, in spite of the disappointment that we all feel, of accepting with good grace the Government's final decision in the matter. The recommendation of your Directors is, therefore, limited to the payment of a dividend on the ordinary share capital at the previous rate of 10 per cent per annum, free of Indian Income Tax, the balance of the profits earned being carried to reserves.

INCREASE OF CAPITAL

There have been many rumours of late concerning the question of the Company raising further capital and I would take the opportunity of warning you that expectations entertained to the effect that rights or other share capital will be raised by the Company are premature and may prove to be without foundation. In order to explain the position I would remind you that there are two schemes of extensions which, though from a technical point of view may be regarded as one, are, on financial grounds, to be treated as entirely separate and independent of each other. The first one is described as the 1953 extensions in respect of which, as you know, we have incurred heavy liabilities to the World Bank and the Government of India. This scheme is in progress and is expected to be completed, all going well, in 1958.

The second scheme, described as the 1955 extensions, visualises the increase over the 1953 project of the production of saleable steel by 100,000 tons, the enlargement of the finishing capacity of the existing rolling mills and the addition of some new finishing capacity in order to make the production more flexible to meet the varying conditions of the market.

NEGOTIATIONS WITH GOVERNMENT

This scheme is still under consideration and negotiation with Government and no definite plans can be formulated until we know what the future retention prices, which are now under investigation by the Tariff Commission, are likely to be. It is for the implementation of this second scheme that the raising of further capital would be required, supplemented by means of such special element consisting of an increase in the new retention prices, as the Tariff Commission may recommend and the Government may allow, in order to fully cover the position. It will be clear to you, therefore, that no decision as to the necessity or other-

wise of raising further capital can be made until the Tariff Commission's Report and the Government's Resolution thereon have been received by us.

BOARD'S PRIMARY DUTY

Our primary duty is that we should not undertake any further liability which would in the slightest degree endanger the full and punctual discharge of all our heavy obligations in respect of the 1953 extensions out of the normal earnings of our existing equipment and of the new plant, after it has been completed and has been brought into operation. This is not to say that given reasonable conditions we would not be prepared to do our best to further the interests of the country to the utmost of our power.

What I wish to emphasise now is that until we know the recommendations of the Tariff Commission and the Government's Resolution, and have had full opportunity to assess the position we shall not be able to come to any decision as to the proposed 1955 extensions. The report was adopted.

THE WRIGHT SADDLE COMPANY LIMITED

SIR ARTHUR COLEGATE'S REVIEW

The Nineteenth Annual General Meeting of The Wright Saddle Company Limited was held on December 15, 1955, at Birmingham.

The Chairman said in the course of his speech:

The trading profit for the year ended August 31st last amounted to £107,477, as compared with £109,684 for the previous year. The net profit after all chargeable expenditure, but before Taxation, amounted to £86,534.

From this must be deducted Taxation to the amount of no less than £47,766, leaving £38,768. After adding the Taxation adjustment relating to previous years and the carry forward of £28,488, we have available the sum of £69,632, out of which an interim dividend of 6½ per cent (less tax) was paid last April. We now propose to put £15,000 to General Reserve, to increase the carry forward from £28,488 to £37,239, and to pay a final dividend of 11½ per cent, less tax.

It will be seen from the Balance Sheet that our liquid position remains a very strong one.

The past year has in many ways been a somewhat difficult one, but I think you will agree that the results are not unsatisfactory. The turnover was well up to our expectations, but while profits in the first half of our financial year were running at a reasonable level, the rapidly increasing costs both of materials and of wages made themselves seriously felt in the latter half of our year, and with the greatest reluctance we felt compelled to make some adjustment in our prices, which had remained practically unchanged for the past three years.

So far as the future is concerned, I am reasonably optimistic. The impression that I gathered at the Cycle and Motor-Cycle Show (which was held in London from November 12th to 19th) was that the industry is in a very healthy condition. The exhibits in range, variety and quality were such as could not have been seen in any other country in the world. We ourselves had our Stand as usual, at which we showed some of our latest developments, and we received many congratulations from all sides on our new gussetless and seamless spring seat Saddle. Its appearance on so many of the fine bicycles exhibited was a measure of

its outstanding success. Our new Duroflex Plastic topped Racing Saddle was also favourably commented on and we believe has a very considerable future in front of it, together with other models in this range introduced previously.

One of the features of the Show was the great interest shown in power-assisted Bicycles. We have been and are keeping closely in touch with this development and we are fully equipped to meet any demands which the Trade may make upon us.

There are several other directions in which we are interesting ourselves and I feel that I can say that your Company is well in the forefront so far as the demands of the industry are concerned. The new factory at Redditch is proceeding according to plan, and this will be of great assistance to us, especially when our older factories in Bristol Street are finally taken over by the Birmingham Corporation.

In conclusion I would remind you that our industry is extremely competitive—of which we make no complaint. We believe that we have the resources both financial and technical to enable us to obtain our fair share of the trade, and we shall not cease to take all possible steps to keep ourselves and our plant fully up-to-date. In this connection I wish to pay tribute to our Managing Director, Mr. C. A. Holland, and our Works Director, Mr. W. G. Sheppard, together with the staff whose teamwork has been invaluable in achieving the results which I have the pleasure of putting before you today.

The Report and Accounts were adopted. Mr J. H. Gold was re-elected a Director and the Meeting concluded with a hearty vote of thanks to the Chairman.

ANTOFAGASTA (CHILE) AND BOLIVIA RAILWAY

The sixty-seventh annual general meeting of this company was held on December 13th in London, Mr H. C. Drayton, Chairman, presiding. The following are extracts from his circulated statement for 1954:

The net receipts from the operation of our Railways and Waterworks were £668,630, a decrease of £367,395. After adding other income and the balance from 1953, and deducting the loss on operating the lines of the Bolivia Railway Company and Aguas Blancas Railway, fixed charges and the appropriations detailed in the Net Revenue Account, the balance to the credit of that Account at December 31, 1954, was £297,517.

In 1954 increased traffics were carried of Manufactured Nitrate, Copper Bars and Chilean Products, but there were decreases in the tonnages of other articles.

Passenger traffic in Chile showed a reduction of nearly 60 per cent in numbers compared with 1953 due to increased road competition. In Bolivia, on the other hand, there was an increase of nearly 20 per cent.

The chairman, addressing the meeting, said that they had had another big wage demand in Chile. Other industries had conceded a big increase in wages and this company would have to do something. They had put in for an increased tariff which would amount to 80 per cent. In Bolivia also they had very big demands and discussions were in progress. Last year he had said that the Bolivia Railway Company incorporated in America had been declared a Western Hemisphere Company, which solved many of their American tax problems. The difficulties had been overcome and the money could now come to the Antofagasta Company probably in February or March next. It would probably be not less than £450,000.

The Report and Accounts were adopted.

HARRISONS AND CROSFIELD

GROUP PROFITS MAINTAINED

The forty-seventh annual general meeting of Harrisons and Crosfield, Limited, was held on December 12th in London.

Sir Eric Miller, the chairman, in the course of his speech, said: The fact that our Group profits for the year under review are much on a par with those earned in the previous year might suggest to the uninitiated that we are merely pursuing the even tenor of a prosaic way. This is, however, far from being the case; the explanation is to be found in the diversification of our interests, brought about over the years as a deliberate act of policy.

The net profit applicable to the Parent Company, after taxation and all charges, including provisions brought back, was £657,384. The balance brought forward was £600,496, making available £1,257,880, out of which we have transferred to Reserve for unremitted profits £50,000, and General Reserve £575,000. The final dividend of 16 per cent will make 20 per cent for the year on the Deferred Ordinary Stock.

GROUP TURNOVER

Our Group trading turnover exceeded £50 million, apart altogether from the large volume of produce which we market for our plantation companies and the general merchandise which we handle as agents. The figure I have just given you will, I trust, make it clear, once and for all, that Harrisons and Crosfield are, first and foremost, merchants. Nevertheless, they continue to give wholehearted attention to the interests of the Eastern plantation companies, which they have done so much to foster.

Reviewing an eventful year in the Tea Industry, he said: The credit squeeze imposed by the Chancellor is forcing the trade to carry minimum stocks and to buy only for current or immediate needs. There may well be a further strengthening of prices in London during the next few weeks, but there is a lot of tea still to come from India which should have a steadying influence and prevent any undue rise in prices.

RUBBER SUPPLIES

In regard to rubber, he said: Available supplies of natural rubber and synthetics are likely to remain barely sufficient to cover essential requirements, and any urgent orders for near delivery may have a disproportionate effect on the price. There is general agreement that more fireworks in the market would be highly detrimental to the best interests of the Industry. This consideration, in my opinion, far outweighs any temporary financial benefit accruing to the Governments of the Eastern producing countries through the penal taxation which they are exacting.

US output of automobiles and trucks in 1955 has far exceeded expectations and will establish an all-time record of some eight million vehicles. Less spectacular but impressive growth is being recorded in the rest of the world, and the fact that road construction is lagging far behind current needs seems to be of no immediate effect.

The output of synthetics can be increased more speedily than that of natural rubber, but natural is still essential to the industry, and it behoves the Estates to proceed steadily with their replanting programme.

In conclusion, Sir Eric Miller said: It is proposed to make a free scrip issue of one share of £1 for every £2 stock now held.

The report and accounts were adopted.

HARRIS LEBUS LIMITED RECORD OUTPUT

The eighth annual general meeting of Harris Lebus Limited was held on December 14th in London, Sir Herman Lebus, CBE, JP, chairman and managing director, presiding, said the accounts show a profit for the period of 52 weeks to July 15, 1955, of £653,501 after providing for all charges, including depreciation, compared with £600,136 for the period of 53 weeks to July 16, 1954.

Income Tax and Profits Tax computed on the profit for the period amount to £355,058, leaving a net profit of £298,443, to which must be added an amount of £20,000 in respect of taxation provision made in previous years and now no longer required; accordingly, out of the results for this period, an amount of £318,443 is added to the amount of unappropriated profits of £115,440 brought forward from last year, making a total of £433,883 available for appropriation.

The Dividend on the Preference Stock, less tax, of £22,500 and the proposed Ordinary Dividend of 9 per cent which, less tax, amounts to £103,500, absorb £126,000.

Last year I informed you that we could look forward to improved results. These have all been realised, though to a smaller extent than would no doubt have been the case if the abnormal conditions had not occurred. These conditions became operative early in the second half of our financial year; it was then that the Chancellor twice increased the Bank Rate and followed this by restrictions on Hire Purchase trading.

HIRE-PURCHASE CHANGES

Until that time it was not obligatory in the retail trade that Hire Purchase Agreements for furniture should carry any down payment at all, and the purchase by the public of additional articles was permitted to be added to existing Hire Purchase Agreements. In February, 1955, the Chancellor ordered that a minimum down payment of 15 per cent must be made and that no addition to Hire Purchase Agreements would be permitted. A maximum term of twenty-four months for Hire Purchase Agreements was also imposed.

Reduction in the purchase of furniture by the public quickly followed and was very marked. Trade Associations and Trades Unions protested to the Chancellor, but he definitely decided that there would be no alteration.

The demand for our products has continued to grow and we have expanded our share of the available furniture market.

During the year under review, more units of furniture were delivered than in any previous year. Your Directors are not dissatisfied with results that show improvements on those of last year. The year 1955-56 has opened in a satisfactory manner.

Prices of our raw materials have remained at a high level. Freight rates of timber have continued to rise and these have a serious impact on our industry. The report and accounts were adopted.

CHAIRMAN'S ADDITIONAL REMARKS

The meeting concluded with the passing of a vote of thanks to the chairman, directors, staff and employees.

In expressing appreciation to the stockholders for their vote of thanks, the chairman said that he thought they would be glad to know that the demand for the company's products still continued to grow and the larger production and sales referred to in his review continued to operate.

THE ALUMINIUM CASTINGS COMPANY

A RECORD YEAR

SUBSTANTIAL EXPANSION OF TURNOVER

The forty-ninth annual general meeting of The Aluminium Castings Co., Ltd., was held on December 9th in Glasgow, Mr R. K. Calder (Chairman and Managing Director) presiding.

The following is an extract from his statement circulated with the accounts:

It gives me great pleasure to be able to report that the Group has enjoyed a record year. Turnover showed further substantial expansion, and as a result trading profit advanced by some £68,000 to £367,366.

Although charges against trading profits increased by £17,285, the profit before taxation increased by some 27 per cent to £264,200, as compared with £206,767 for the previous year.

The charge for taxation amounted at £133,777 to just over half the profit of £264,200, and the net profit remaining after taxation is therefore the very satisfactory figure of £130,423, as compared with £52,005 shown for the previous year.

After various provisions the final profit for the year amounts to £92,922, and this, added to the balance brought forward of £164,271, gives an available balance of £257,193, which your Directors recommend should be carried forward.

While Bank and other borrowings showed

ASSOCIATED BRITISH MALTSTERS

MODERNISATION AND DEVELOPMENT CONTINUES

MR H. N. HUME ON BOARD'S PROGRESSIVE POLICY

The thirty-fourth annual general meeting of Associated British Maltsters Limited will be held on January 9th, 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:

After careful consideration and mainly because of the accelerated barley harvests resulting from the use of combine harvesters, your Directors have decided that July 31st is a more convenient and appropriate date on which to end the Group's trading year; in consequence, the accounts now presented are for eleven months to July 31, 1955, and the figures of the previous twelve months are not a strict comparison. If the profit of £311,540 is adjusted to twelve months there results a figure of £339,800, which compares with £368,550.

These accounts cover the handling of the appallingly wet 1954 harvest, and are as good as they are because of the very substantial drying and storage facilities we have put up since the war, and also because we have gone into the export trade to such a large extent. The need for storage is, however, not yet satisfied, and we shall have to go on spending money for this purpose. From the profit of the eleven months' trading, we recommend our customary 10 per cent dividend (which is, of course, at the annual rate of 10.9 per cent). Changing agricultural conditions are now forcing us to modernise, and we still believe that this modernisation should be financed in the main from the Group's own

some reduction at the date of the Accounts, I must emphasise that in the current year the Company has undertaken substantial additional borrowing in order to finance two major capital transactions.

Firstly, the Company has since the end of the year acquired the issued capital of Renfrew Aircraft and Engineering Company Limited of Renfrew, Ontario, Canada. This Company is engaged in the production of aero-engine components.

Secondly, it became necessary to secure a new factory on behalf of the Bright Companies, and this has recently been acquired and is now in full operation.

SUBSIDIARY COMPANIES' ACTIVITIES

Aluminium Bronze Company had a record year both as regards output and earnings. Continued expenditure on plant and improved operating efficiency have contributed to keep prices of the end product at reasonable levels, and I am glad to report, therefore, that progress has continued in the current year on an increasing scale.

Atkinson's Agricultural Appliances Limited failed to hold the record output achieved in the previous year, but the earlier heavy development expenditure bore fruit and earnings in consequence showed further improvement.

The Atkinson-Hacker Tractor Company again incurred a loss, which was met by a subvention payment.

The Bright Group of Companies have more than justified the confidence which your Directors expressed last year. Output has continued to advance month by month.

A very special tribute is due to Major

resources. We look forward to being able to repeat from time to time, the free issue from Reserves made a year ago.

The big new malt factory we built at Louth is giving excellent results, and from this experience we have decided to build another one in Yorkshire, the cost of which will be in the neighbourhood of £500,000. We hope the first part of it will be in use for the 1957 crop. Modernisation of several of our bigger and better maltings in various parts of the country continues, and in this way we can keep up the quality and service we give to the Brewers and other users of malt. Competition is becoming keener all the time, both at home and in export markets, and the only way to meet it and to absorb rising costs is to increase our efficiency.

CURRENT YEAR'S GOOD START

The wonderful weather of last summer was a great boon to the Brewers, and has also led to one of the heaviest barley harvests for many years, the yield being increased substantially by the new variety, Proctor. A fair proportion of Proctor is now being malted, and we await with interest the outcome of the use of this variety on a commercial scale for brewing purposes. In the current year we have therefore got away to a good start, and it only remains to hope for another fine summer. I feel that any prospect of a relief in the existing taxation on beer must now be regarded as unlikely for the time being and, with normal weather, the shrinkage in beer consumption (which was halted by last summer's weather) is likely to continue. Most fortunately, your Company has, since 1938, been developing an export trade to many countries, and this now constitutes a substantial part of our business.

The non-malting activities of the Group made a useful contribution to the profits now presented.

I hope this review will convince Stock-

Bright and his staff for the efficiency with which they conducted the recent removal of production facilities to the new works referred to earlier.

Burnley Aircraft Products again had a year of high activity. There was some decline in the level of new construction work, but the repair and service of Jet Engines more than offset this.

Scottish Aluminium Ware Limited again had a disappointing year although output increased substantially. The loss incurred was met by a subvention payment.

The Verichrome Plating Companies at Walsall and Larkhall both contributed record outputs and earnings and progress has continued to be made in the current year.

CONSERVATION OF RESOURCES

Despite the record profit achieved, I very much regret that it is essential to conserve the Company's cash resources and your Directors are again unable to recommend the payment of a dividend on the equity capital.

Your Directors have been negotiating for the provision of additional permanent capital, but the detailed negotiations have not yet been concluded.

In conclusion, I am sure that the Shareholders will join with me in paying tribute to the Directors and staff for their efforts in achieving such satisfactory progress. I am hopeful that the records of last year will be surpassed in the current period of operations, and this would be a most fitting achievement to mark the Fiftieth Year of the Company's existence.

The report and accounts were adopted.

holders that the management are constantly planning ways of improving the stability and prosperity of the Group.

LONDON AND RHODESIAN MINING AND LAND COMPANY

The annual general meeting of London and Rhodesian Mining and Land Company, Limited, was held on December 9th in London.

Sir Joseph Ball, KBE (chairman and managing director), presided, and in the course of his speech said:

The net profit for the year under review, after taxation, amounted to £48,542, as compared with £61,425 for the previous year. Your Directors recommend a final dividend of 6½ per cent, less tax, thereby making a total distribution of 10 per cent for the year.

Mining.—*Mazoe Consolidated Mines, Limited*: As a result of satisfactory development results during the year, ore reserves, both at the Connaught and Bucks Sections, show a substantial increase in tonnage compared with last year.

Sabi Valley Option: Last year I referred to the acquisition by your Company of a three months' development option over three blocks of base mineral claims in the Upper Sabi Valley. The recovery of the concentrates did not come up to expectations, and your Board decided to discontinue operations on the property.

Cam and Motor Gold Mining Company (1919), Limited: Operations at the Cam and Motor mine continue to be extremely satisfactory.

Coronation Syndicate, Limited: The Group mining working profits earned during the year amounted to £191,561, compared with £162,049 for the previous year.

The report was adopted.

AIRE WOOL COMPANY, LTD.

(Woolcombers and Topmakers)

LORD BARNBY'S STATEMENT

The twentieth annual general meeting of Aire Wool Company, Limited, was held on December 15th at Shipley. Colonel Lord Barnby, CMG, CBE, MVO (the chairman), presided. The following is an extract from his circulated statement:

RESULTS AND TRADING CONDITIONS

The Group Profits for the year after all charges but before Taxation were £204,104 and after Taxation £102,008 compared with £183,696 last year.

The Trading Year under review was, profitwise, disappointing, an experience not unusual with others in the same industry for comparable trading periods. Our Group turnover, however, constituted a record.

During our Trading Year there were many unhappy features of abnormal character all added to profitable trading.

The Dock Strike in Australia seriously delayed arrivals of wool. Competition of exceptional intensity from forward short selling of wool by Buying Brokers from origin at prices anticipating further declines, contributed to instability and lack of confidence.

Later came the Railway strike in UK and, still more disastrous for the Wool Textile Industry, the UK Dock strike. Many wool ships were diverted to the Continent to be further immobilised by strikes there while demurrage charges were loaded on the wool cargoes. Then came an advance in wages leading to an increase in combing tariff. All these extra charges, unprovided for in the sale price for forward delivery of Tops, had to be absorbed by the Topmakers. And all this added to inescapable inventory loss on stocks by reason of the decline in wool prices.

A final payment of 12½ per cent less Tax on the Ordinary Stock is again recommended, making a total of 25 per cent less Tax for the year, representing a percentage net Ordinary Dividend on the Ordinary Stockholders' Equity of a modest 2½ per cent.

Although our South African Topmaking operations were unprofitable, the Commission Scouring, Carbonizing and Combing Company, in which we have a joint participation with our South African associates, has experienced a most satisfactory year.

COMBING TARIFFS

The UK Combing tariff remains the lowest in Europe. Since the Combing tariff barely covers the replacement costs of machinery installations it compels reflection whether we are not merely handing to future overseas competitors the advantage of accumulated reserves of our industry. Incidentally, were the average work load for combed Top taken, and replacement costs of modern installation calculated, it would show this as representing an investment of around £4,000 per productive operative.

It would be unfortunate if in Monopolies Legislation hasty and emotional action to attempt to correct alleged malpractices of totally different character should hamper collective price agreements like that of the Wool Combing Tariff and so restore the wide open variations of irresponsible competition, though now sufficiently long ago to come only within the memories of the older members of the trading community.

WOOL POSITION

In 1951 when prices were previously nearly as low as now, the published activity of

combing and spinning machinery was 60 per cent; now, at time of writing, it is above 90 per cent. So with full employment, with peak wage earnings in UK and with a steadily expanding world population and rising living standards, the increase of world wool production should easily be absorbed. Lower wool prices usually mean wider distribution of finished products, which promises well for business in the near future.

Surpluses of primary commodities in Government hands are always a menace to prices. The left-over stocks of the past several years from the intake of wool by USA government under its Price Parity Support scheme has during the past year confirmed this. But uncertainties have in this case been increased by continual downward revision of appraisal prices. These unforeseeable releases of wool from USA stockpile at under current market levels have made users nervous and compelled a continual bearish outlook and a minimum inventory policy.

Government urgings to increase exports have been answered, as evidenced by wool top exports of 57 million lb during the first nine months of this year following a total of 67 million lb in 1954 (calendar). This compares with the average of 58 million lb for the previous three years' total exports.

FUTURE OUTLOOK

From dispatches in the Press and reading into Ministers' speeches it would seem we may expect progressive contraction of the cotton textile industry. (Such is the current pressure of "duty-free" imports manufactured with Asiatic labour—India, Hong Kong, Japan.) There is apparent composure in that displaced operatives absorbed into other industries will produce even more in export earnings. Ought we in wool textiles to read into this a warning of possible future pressure on our own industry from future manufactured imports from Asiatic countries?

We note progressive extension of plans for "commission" service factories overseas by large British corporations such as the BDA or the CPA. This appears to connote acceptance by them of inevitability. Such discussion on the propriety of British textile machinery exports which has, at various periods, been so stupidly pilloried.

As to the future course of wool values, it seems now as much as ever unwise to attempt any forecast. Of course, if wool production could be absorbed, as it was, in the 1952-53 year on a basis up to 160d. for a 64s. Top, with the marked expansion since then of buying power of the world it would seem reasonable to assume that on the present basis of under 110d. per lb there should be ahead of us good manufacturing activity.

In conveying my thanks on behalf of the Board to the Directors and personnel of all our Subsidiary Companies, I wish them to know that during this very difficult year of trading their wholehearted services and continuous loyalty have been more than ever appreciated. In this expression of thanks we wish to mention particularly our Managing Director, Mr R. P. Pitcher.

The report and accounts were adopted.

ALVIS LIMITED

STEADY PROGRESS

The thirty-third Annual Meeting was held on December 13th in Coventry, Mr J. J. Parkes (Chairman and Managing Director) presiding. The following is an extract from the Chairman's circulated Statement:

The Accounts show a Trading Surplus of £293,710, this being an increase of £28,859 over the previous year's surplus. With a Profit of £10,741 on Sales of Sundry Plant, the total Trading Profit becomes £304,451. Income Tax takes £131,750, and Profits Tax £22,000, leaving a net Profit of £150,701.

The fixed dividend on the Preference Stock absorbed £4,578, and £100,000 has been transferred to General Reserve (which now stands at £550,000), leaving, with the balance of Profit brought forward, £122,678. Your Board recommends a dividend of 10 per cent, less tax, on the Ordinary Stock, together with a participating dividend of 2½ per cent, less tax, on the Preference Stock, leaving £86,740 to be carried forward.

Increased output of the 550 hp Leonides engine was maintained throughout the period under review. A large proportion of these engines was delivered against Ministry of Supply contracts to meet the needs of the Hunting Percival "Provost" in Flying Training Command. This requirement has now largely been satisfied and in consequence production of the Leonides at a reduced level will swing more towards the fulfilment of commercial orders. It is gratifying that this engine, used so extensively by the Royal Air Force, the Royal Navy, and also by the Army, is making its contribution in military services overseas. Among these are the Air Forces of Australia, Belgium, Burma, Eire, France, Iraq, Italy, Rhodesia, Sweden and Thailand.

Our larger engine, the fourteen-cylinder Leonides Major, is progressing steadily through the development stage, but its effect on turnover will not be appreciable before 1956-7.

As an augury for the future it is of interest to record that sixteen Alvis engines were incorporated in ten types of aircraft which took part in the Society of British Aircraft Constructors' Flying Display at Farnborough in September. Among those aircraft shown for the first time were the four-engined Handley Page "Herald" Airliner, and the Westland "Whirlwind" Helicopter, both powered by the Major, and the Scottish Aviation "Twin Pioneer" powered by two 550 hp Leonides. The well-proven 3-litre car will be continued with improvements in chassis design and with special bodywork.

Arrangements are now in hand for the production in the United Kingdom of a sports saloon with coachwork styled by Carrosserie Graber, of Bern. Models shown at the recent Paris Salon and Earls Court Motor Show have evoked considerable interest.

Since last year the "Saracen" Armoured Fighting Vehicle has been exported to Dominion countries and continues to give excellent service. Additional orders have been received and there is reason to believe that production will be maintained on a satisfactory scale. Further developments of the basic suspension and transmission layout have enabled us to obtain a production order for a quantity of chassis to be used as the basis for a new design of Royal Air Force Fire Tender and Crash Rescue Vehicle, which operates at a total weight of 12 tons. Its unique cross-country properties and speed enable it to outclass anything else which is known to be available. The Report and Accounts were adopted.

THE BRITISH IRON AND STEEL FEDERATION

Invites applications for the following posts:

1. **ECONOMIST** with good Honours degree in economics and postgraduate experience of industrial economic problems or cognate academic or research experience.
2. **ASSISTANT** in Economics Department. Desirable to have economics and good statistical background preferred but consideration given to applicant with degree in statistics and good grounding in economics. Salary in both cases according to qualifications and experience. Write, giving full particulars, to the Establishment Officer, Steel House, Tottill Street, S.W.1.

CO-OPERATIVE WHOLESALE SOCIETY LIMITED

MARKET RESEARCH DEPARTMENT

The Department has a small full-time consumer research team, a section specialising in the study of retailing practices, and a library and commercial information unit. It is seeking to reinforce its staff, particularly in the retail trade research section. Vacancies available range from trainee to fully qualified research assistant.

Fully qualified Research Assistants must have a suitable background of business experience (not necessarily in market research); a degree (or equivalent qualification); and a good knowledge of co-operative methods and organisation.

The trainee positions are open to recently qualified graduates, or to others who have suitable business experience, and have made some progress in studies leading to a degree in economics, commerce, or statistics (or in other appropriate courses of study). Knowledge of co-operative organisation or of market research would be particularly valuable, though not essential.

One vacancy (primarily concerned with collection of information from retail co-operative societies) may occur in London; apart from this all successful candidates will be required to reside near Manchester. All candidates must be prepared to travel as required.

Persons who feel they are suitable for appointment as a trainee, or as research assistant, or for an intermediate position, are invited to apply to the following address, giving full details of age, education, experience, etc., and stating salary required.—Co-operative Wholesale Society Ltd., Central Labour Department, 1 Balloon Street, Manchester, 4, endorsed "Market Research Department."

DIVISIONAL SALES MANAGER

Applications are invited by Chappie Limited, leading manufacturers of canned cat and dog foods, for a position as one of its Divisional Sales Managers. The Divisional Sales Manager will be responsible for the sale of Chappie's products and will be responsible directly to the General Sales Manager for:

1. Trade Sales (both Wholesale and Retail) and merchandising of the company's products on the domestic and export markets.
2. The continuing field-sales and merchandising efficiency of all personnel under his control.
3. Contributing to the formulation of company sales policies.

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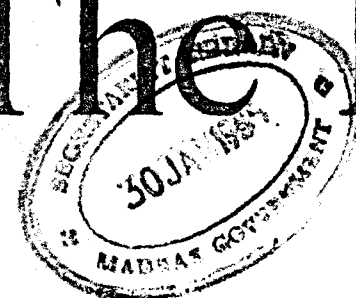
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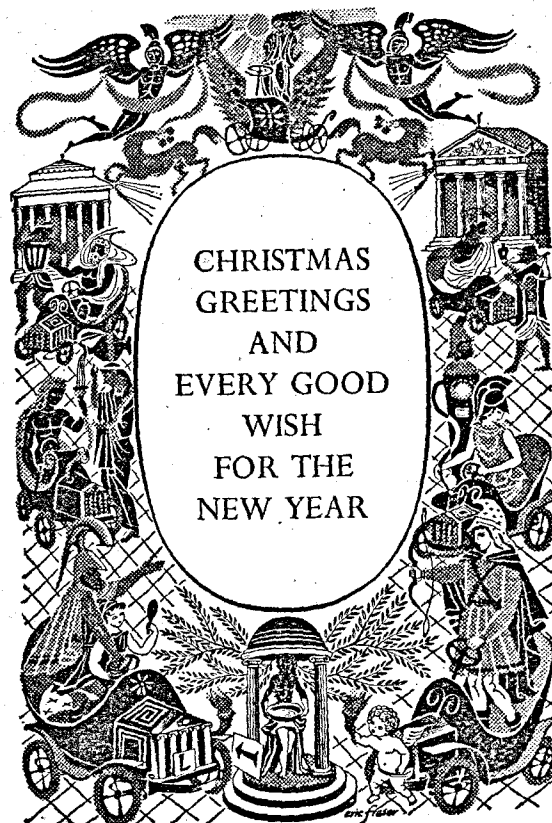
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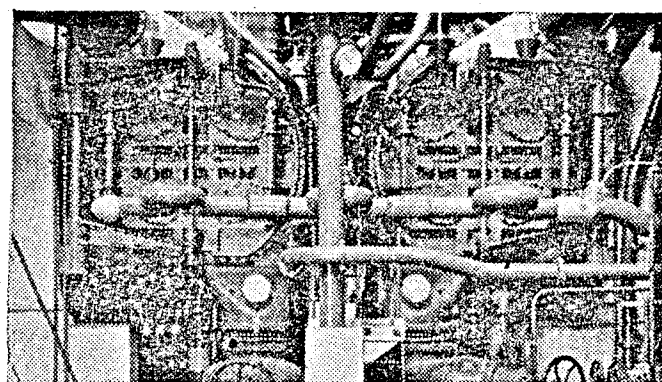
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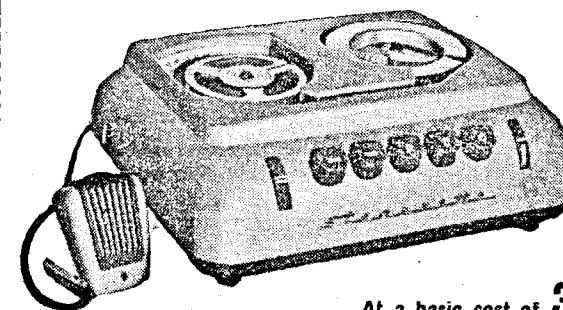


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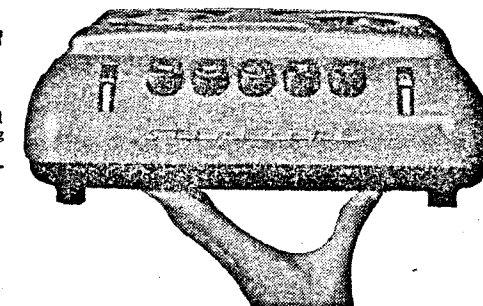
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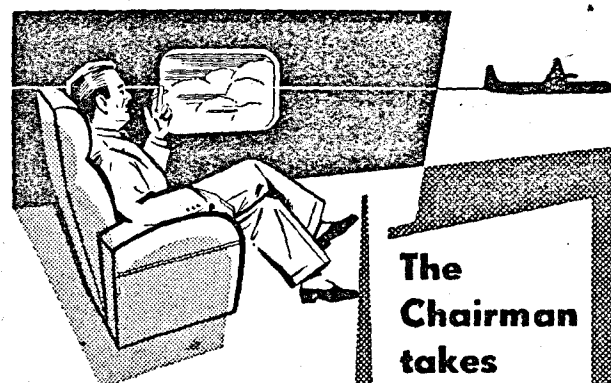
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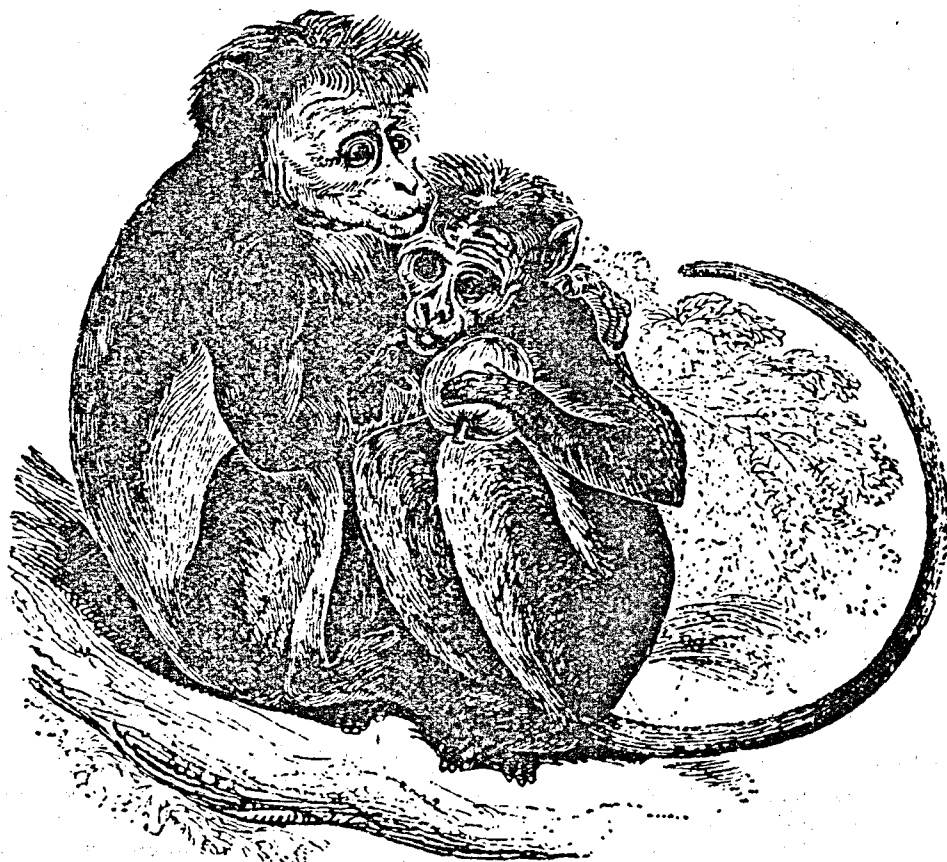
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The Shuffle

THE reorganisation of the Government, which has been talked about for so long, has made a mixed impression now that it has finally arrived. For some things in it the Prime Minister deserves full praise. He has made a real effort not only to bring new blood in but also to give the able young men of his party their chance in office. He is also to be congratulated on some of the changes he has not made; Ministers who are doing well have been left alone, conspicuously at the Board of Trade and the Colonial Office. But it is the reshuffle among the senior posts that matters most, and there the verdict must be rather different. Only a Prime Minister can know all the elements of the problem to be solved in Cabinet-making, and it is right to give him the benefit of any doubts in the arrangement of his team. But when all allowance has been made for Sir Anthony Eden's perplexities, there are still a number of apprehensions about the changes that need to be voiced.

The first cause of anxiety is the change at the Exchequer—though it should be said at once that it is not the coming of Mr Macmillan that is disturbing so much as the going of Mr Butler, and not his going in principle (for he has had a long innings and has a right to feel tired) so much as his going at this precise juncture. For it will be widely interpreted, both at home and abroad, as a confession of the failure of his policy. And in this there are grave dangers. It is true that nobody at this moment can put his hand on his heart and avow that Mr Butler's policy is an unmitigated success. The manifest facts of the present—the knife-edge equilibrium of sterling, the still merrily revolving spiral of domestic cost inflation—themselves deny it. But the best course is still to press on with the policy of monetary restraint and give it time and scope to do its work. It is essential to give the whole commercial world the confidence that the Government will find the resolution to persevere—and to make what looks like a confession of failure is hardly the way to do that. If Mr Butler had to leave the Exchequer, it is a thousand pities that his departure could not have been delayed until his policies had received the vindication that is still to be expected.

Moreover, there is an external danger. Among foreign observers, and foreign holders of sterling, Mr Butler has built for himself a strong reputation as the guarantor of its value. In his speech at Istanbul in September, which stopped a slide against the pound, he gave his pledge that whatever needed to be done inside this country to assure the stability of sterling would be done. If he now goes, the Continent will wonder whether the pledge goes too, whether perhaps Mr Butler's colleagues have found its implications politically too inconvenient. Foreigners, of course, do not understand the doctrine of collective responsibility. But can even a native observer feel absolutely sure that a new Chancellor, whose personal colours are less completely nailed to the mast of virtue, will steer the same course? The rumours of the change have already disturbed the foreign

exchange market, and the actuality may possibly bring another adverse turn in the tide of confidence. It was a hazardous thing to do.

In point of fact, however, if these psychological clouds hanging over his advent can be dispersed, Mr Macmillan may well make an excellent Chancellor of the Exchequer. He is a man of wide knowledge and firm views, and when he wishes can show great moral courage—he is both a thinker and a successful administrator. The only doubt one feels about him is whether his eyes are not a little too widely open to the main political chance. No one who set about building 360,000 houses a year with such gusto and success, fully knowing the whole time what harm he was doing to the national economy, can be regarded as quite the ideal man to do the unpopular thing just because it is right. But these are suspicions which, like the interpretations of policy that will be put on Mr Butler's departure, Mr Macmillan will have plenty of early opportunities to dispel.

★

The second cause of anxiety about the new arrangements is the scope of the new duties to which Mr Butler is going. He is (rightly) eschewing the title of Deputy Prime Minister and he is (still more rightly) not being set up as the overlord of any department of the Government's policy. His duties will apparently be almost entirely political rather than administrative. He is to lead the Commons; he is to re-establish contact with the rank and file, to encourage initiative while counselling patience to ambition; he is to look after the party machinery; he is to go back to his old job of ideas man of the Tory party and protector of its back room boys. These are all things that need doing and that have been neglected since the Conservatives returned to office four years ago.

But are they not, most of them, the Prime Minister's job? And when anyone other than the Prime Minister tries to do them all at once, does he not get into a painful dilemma—either he is given too little backing and authority to do the job properly (Mr Morrison could give evidence on that) or else he does it too well and divides the leadership. Traditionally, and actually, it is a very risky thing for a senior minister to accept an office that carries responsibility without power. It may be said, of course, that Mr Butler ought to know what he is doing and that it will be his own funeral if he slips up. But he is as clearly the heir apparent to Sir Anthony Eden, and with as little challenge from any one else, as Sir Anthony himself was to Sir Winston Churchill, and so long as that is so, it cannot be to the party's advantage—or, so long as the party is in office, to the country's—that he should be devalued.

A third complaint relates to the Ministry of Defence. It is now to have its third new Minister in fourteen months. This is not the way to treat an office where continuity of policy and a firm hand in applying it are

more vital than anywhere else. Moreover, to move into it a Minister who—charming and able as Sir Walter Monckton is—has for months been in indifferent health and complaining of the ardours of the Ministry of Labour is to treat the portfolio of Defence as if it were a sort of rest cure. It has long been said that Sir Walter's heart is really on the judicial bench. It will be unforgivable if there has to be still another change at the Ministry of Defence in the rest of this Parliament's life.

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But the worst apprehensions that are aroused by the changing of the guard are those that concern the Foreign Office. It is no derogation from Mr Selwyn Lloyd's eminent ability—indeed, it is an expression of sympathy with him—to say that he is obviously intended to be the Prime Minister's mouthpiece. If there had to be a new Foreign Secretary after only eight months, there is in Lord Salisbury a man who, when he performed the duties of the office (without the title) two summers ago, showed himself to have the qualities of a great Foreign Secretary. There is no reason to suppose that Lord Salisbury is not now available, or that his sitting in the Lords would be a fatal handicap.

The passing over of the best man available strengthens the impression that one gets of the whole series of changes—that the dominant motive was not (as has been represented) Mr Butler's impatience to leave the Treasury—such a sensitive politician, however impatient, would hardly choose to leave under a cloud—so much as the Prime Minister's determination to run foreign policy himself, without a strong and independent politician at the other side of Downing Street. If this is so, then it is a great mistake. It would be a mistake with almost any Prime Minister at almost any time. But there are two reasons why it is a special mistake now. The first is that Sir Anthony, though he has made an astonishing recovery from his operation two years ago, cannot be wise to overstrain his strength. The other is that, in the present state of the world, it is very doubtful whether he really is such an indispensable guide for Britain's foreign policy. No one doubts his enormous experience and great tactical skill. But what is needed now is to think out a firm policy, based upon first principles, and then to stick to it—not rigidly indeed but with hard consistency through thick and thin and despite all the wayside temptations to quick and easy deals. This does not come easily to the *ad hoc* mind, to the experienced operator revelling in his technical skill, or to the man who instinctively prefers negotiation to policy. It would be as ridiculous as it would be impertinent to suggest that Sir Anthony has not been a good Foreign Secretary. But he is not the only one available, and it cannot but do him, his government and the country harm if he persuades himself that he is.

Frenchmen's Choice

NEXT weekend Frenchmen will have to devote unusual thought to politics in making their New Year resolutions. On January 2nd they will go to the polls to elect the National Assembly that is to rule France for the next five years. Over 5,000 hopefuls—not all of them very serious contenders—have entered the electoral stakes. Alliances between parties have been signed or spurned, tempers are rising, and in spite of the Christmas mood the campaign is rapidly gaining in bitterness as polling day approaches. The outside world needs to watch the twists and turns carefully, for both France's policies and its status in world affairs are once more at stake in this electoral battle.

France's friends and neighbours are naturally concerned less with the intricacies of the party struggles than with the strength, stability and colouring of the governments—the plural has to be used here—that are likely to emerge during the lifetime of the next Assembly. Three questions were framed as soon as early elections were placed on the parliamentary agenda. Would the loose right-wing majority lately presided over by M. Faure automatically consolidate its shaky position? Was there any prospect that M. Mendès-France and his Socialist allies might gain the upper hand so decisively as to give France a parliament of a kind it has never elected before? And could the Communists escape from their isolation and revive the popular-front fashion in Europe? As far as it is possible to see through the tangle of alliances and gauge the mood of the electorate, the answer to all three questions may well prove a negative one.

It is now certain that the Communists will go to the polls alone. With a single exception, local Socialist organisations have obeyed the orders of their headquarters and rejected the blandishments of M. Thorez. The "Republican Front" of Socialists and Radical supporters of M. Mendès-France will not be swept to power with Communist support. But chastity is a virtue which involves sacrifices in politics as in other spheres, and their rejection of Communist advances may have cost them their only chance of electoral success.

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If they nevertheless won, France would come nearer than ever before to "Butskellism." M. Mendès-France, for all the bitter charges levelled at him from the Right, would probably, if he were campaigning in Britain, be described as a progressive Tory with a weakness for state controls. Unfortunately for him, French conservatism, with its many rural strongholds, has a preference for Blimps. Besides, he is cut off from potential allies among progressive Catholics by the question of subsidies for church schools (which his

Radical party traditionally opposes) and by the "European" issue. In spite of the signing of the Paris agreements on Western Union, the part he played in the outgoing Assembly's rejection of the European Army plan has not been forgiven him by the MRP and others, who regard his lack of zeal for close European integration as an insuperable barrier to political teamwork.

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M. Mollet, the Socialist leader, for his part, could not bring as a dowry for the Mendèsiste-Socialist nuptials the votes of the industrial workers and the poorer peasants, since the greater part of these go to the Communists. Indeed, the "Republican Front" alliance probably depends for success on some degree of mutually accepted unfaithfulness on the part of both partners, on an understanding that one should seek out additional support on the left, the other on the right. An attempt has, for instance, been made to broaden the Front so as to include "progressive" Gaullists. This, however, need not have worried the anti-clerical stalwarts; no more than a handful of local alliances with Gaullists has been garnered. It seems that only an unprecedented swing, an extraordinary change in Frenchmen's deep-rooted party allegiances, could give French "Butskellism" a parliamentary majority.

M. Mendès-France has, however, done well enough in these unpromising circumstances to darken the outlook for his opponents. He has gained control of the Radical party and ejected from it some of his enemies, including M. Faure, the outgoing premier. Despite the conservative tinge of many of the remaining Radical candidates, M. Mendès-France has imposed enough discipline on them to prevent, with only a few exceptions, the concluding of local electoral ties with the right-wing coalition led by M. Faure, M. Pinay and M. Teitgen. His success has been a bitter blow to the parties of the Right. In many districts it will prevent them from winning the jackpot of the *apparentement* system—the capture of all the seats in a constituency with scarcely more than half the votes. As the *Poujadistes*—the lunatic fringe of the Right—ought also to prove capable of capturing some votes throughout the country, the maintenance of the old electoral system is unlikely to bring the Right the expected dividends. Proportional representation, which is resorted to where no party or *apparentement* wins a clear majority of votes, may become the rule rather than—as in 1951—the exception. Paradoxically, the Communists will gain most from it. They were the main victims of the newly devised *apparentements* in 1951, losing 60 to 80 seats through them. Even if there is a fall in their share of the total poll, they should now recover some twenty seats.

The next Assembly may therefore prove even more ungovernable than the present one, over whose grave few tears are being shed either in France or abroad. The patchwork right-wing coalition of which M. Faure was the last premier (perhaps one should say prisoner) can expect, at best, to return to power only with a much reduced majority. The narrowness of such a majority would make *immobilisme* more than ever the price of governmental survival. Each coalition partner would be able to exploit its indispensability. The Gaullists, in particular, though they will be weaker in numbers, may threaten to upset the apple cart every time reforms in North Africa or new steps towards European integration are proposed. A deadlock, however, is even more likely, with neither the Right nor the "Republican Front" gaining a clear majority in the Assembly. The Communists would be well placed in such a situation. M. Duclos would certainly use it to woo the Socialists afresh; fear would blur divisions at the centre, and an observer of the parliamentary scene would get a strong impression of what psychologists call the *déjà vu*.

But the electoral equation still contains three unknown factors. The *Poujadistes* are one. Their movement, born out of the often genuine grievances of small shopkeepers squeezed between official bumble-dom, taxes, and competition, has rapidly lost its original character. Its political techniques are now strongly reminiscent of the prewar fascist leagues, its funds are unknown (and its treasurers secretive), but it has managed to present lists of candidates in over 60 districts. The size of its poll, and that of similar smaller groups, including some Vichyite revivals, will provide a useful measure of the fascist potential in France. And, even if its candidates are everywhere rejected, it may considerably affect the final appearance of the Assembly,

for in many constituencies a handful of votes may decide whether one of the major rivals wins all, or only half, the seats.

More than a million new voters registered since 1951 are the second unknown factor. And the third is not unconnected with them. It concerns the impact of M. Mendès-France's personality on the young voter in particular and on the public in general. In the summer of 1954, this dynamic prime minister certainly captured many Frenchmen's imagination, both by his brusque liquidation of old dilemmas and by his positive programme for the future. It remains to be seen how far this highly personal pull will be translated into votes for local candidates more than a year later. The question may be broadened: who will benefit from the popular discontent provoked by the catastrophe of Dien Bien Phu, the sending of reservists to Algeria, and all the parliamentary antics of past months? How strong and lasting will such feelings of indignation prove to be in a period of relative prosperity?

But if there is no dramatic electoral swing, the Palais Bourbon may soon provide a queer sight. For weeks the politicians have been busy drawing a line across the centre of the French parliamentary scene. They have talked of it in deadly earnest, calling it a Rubicon never to be crossed, a rigid division between the forces of the Right and those of reform. But a deadlock might soon force the contestants to move, however surreptitiously, across this line. It may lie abandoned, unimportant, like lines drawn in chalk on the pavement, once the children have decided to change the game. It will not be easy to cross the line after all the pledges, the insults, exclusions and anathemas. It is often, however, the fate of New Year resolutions to be forgotten by spring-time.

Members for Malta

FIFTEEN members of the British Parliamentary delegation to the Malta Round Table conference have agreed that Malta should be offered an "Ulster solution" to its problems and discontents; only two members, both Conservatives, have opposed this. The majority of the delegation has proposed that the island should send three members to Westminster elected on the British system, not on the Maltese method of proportional representation. It has accepted the contention of Mr Dom Mintoff, Prime Minister of Malta, that this "practicable and reasonable" plan is the only way of reconciling Malta's demand for equality of status with the economic and strategic realities of its position as a Portsmouth or Chatham mounted on a heap of rocks in the Mediterranean. The delegation has rejected the proposal that Malta should instead become an independent Commonwealth country—as put forward by the Maltese opposition, the Nationalist party led by Dr Borg Olivier.

To propose to create another, and this time Roman Catholic, Ulster is no light decision. And as British parliamentarians would have to make the arrangement work at Westminster, it was for British MPs (of all parties) to find out if it was workable at all. They think it is, and the Government was shrewd in making it a Parliamentary decision. The report amounts to an offer from the House of Commons for the Maltese to accept or reject. It will thus not be a party issue at Westminster, and it is unlikely to stir strong feelings in the British electorate.

But the British—and the Maltese—people should realise just what the deal, if it comes off, will amount to. Having lost part of its Empire through insisting on taxation without representation in the eighteenth century, Britain is trying to save another bit by generously agreeing to representation without taxation in the twentieth; eventually the Maltese may pay United Kingdom income tax, but the report specifically

proposes that this issue should be left "in abeyance." There is, therefore, a great difference between this plan and Mr Mintoff's original proposals: the essence of which was that the Maltese would shoulder the same burdens as the British, fiscal as well as defensive, in return for additional British financial aid to give the island the same social services as Britain, comparable wage levels and treatment as a "development area," like Jarrow or South Wales. The Select Committee recommends that Britain should put up the money for raising the Maltese standard of living and improving the social services, and that it should somehow foster industrial development (behind protective tariffs). But "integration" has been dropped.

The original proposals, of course, had a great deal of economic nonsense in them. Mr Mintoff has himself come to see that no decree by any Parliament could raise Maltese living standards to parity with British until Maltese productivity rises to parity too; and that, so long as Maltese productivity is lower, a lower Maltese wage level is the only inducement to British firms to set up branch plants in the island. But, in return for dropping the unworkable part of his original proposals, Mr Mintoff has been offered some handsome political concessions. The proffered scheme would give Malta far more, not less, local political control over its own affairs, as well as control over the budget buttressed by British subventions. The Maltese parliament would be made more sovereign, not demoted towards the level of a county council. The arrival of Maltese members in Westminster would coincide with less control from Whitehall departments over Maltese administration. Malta would, of course, retain its own law and the supremacy of the Roman Catholic Church; this has always been intended and the British MPs found it necessary to reassure the Archbishop of Malta specifically on this point. But, in order to allow Malta to retain its special customs, the delegation evidently considers that it will be advisable to increase the powers of the Maltese parliament and cabinet, to remove the Governor's discretion to overrule his local ministers, and to reduce the list of "reserved subjects" to be transferred from the Governor to Westminster.

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This is not necessarily wrong, but it should be recognised that Britain is not only proposing to accept—and, one hopes, to welcome—three Maltese MPs at Westminster. It is also taking a calculated risk that it will not get the necessary voluntary co-operation from the Maltese. Malta's past discontents have arisen from the fact that the island has had two governments, often in conflict. In theory, the Maltese parliament legislated on local affairs and Whitehall made rules only on matters affecting defence; but as defence is interwoven in Malta's life, the Maltese chamber found it hard to move without crossing Whitehall's lines, and Whitehall found it equally hard to administer defence matters without

interfering at almost every turn with Maltese domestic affairs. Under the new arrangement, it might have been expected that most Maltese legislation would have full legal force unless it came into conflict with law made on defence matters by Westminster—in which the Maltese members would participate—when the Westminster legislation would override it. That would have been the normal federal provision. But, very surprisingly, the Select Committee has carefully avoided this arrangement, and proposes a somewhat mysterious *modus vivendi*: under this, while Westminster would normally legislate on defence, it may "devolve" the power to do so to the Maltese parliament at its discretion. This is evidently intended to ensure that the Maltese should themselves voluntarily clear up "borderline" cases where conflict arises; and the report recommends that a series of consultative committees should be set up to advise when this is necessary.

In other words, it is presumed that, once there are Maltese members at Westminster, the Maltese of their own free will will co-operate happily on the subject where there has hitherto been so much friction. This means that British MPs will deal with Maltese affairs only in so far as they legislate for Malta directly, on clear cut defence or foreign issues which would be administered in Malta by some undefined agency coming under the Home Secretary. But the Maltese members, besides participating in this field of common interest, will also vote and debate on purely domestic British issues. They will have their say about British purchase tax schedules, teachers' pensions and white fish.

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This is a one-sided arrangement. But the British MPs have decided to accept it on three grounds: first, because there was no other way of making the Maltese members full and equal members of the House of Commons; secondly, because some British domestic issues—such as budgetary or economic policy—may affect Malta; thirdly, because three Maltese MPs should not make much difference to Britain anyway. Probably, this last point is true. It would not have looked so true during the Parliament of 1950-51, but one can only hope that the narrow Government majority then was an electoral fluke. It also would not look so true if there were any risk that Malta might become a precedent for many other colonies. But, as all the large colonies—even Singapore, also an island city-fortress—prefer the "Gold Coast solution," the list of possible additional colonial constituencies is at most three or four.

On balance, therefore, the plan is a fair gamble for the House of Commons. Should it also be accepted by the British and Maltese electorates? Many people in this country who have always felt that the citizens of Malta should be given at least equal political rights with the citizens of Britain may be a little shaken to

discover that the Maltese are now to be given even greater rights than we have. But, now that the offer has been made, it would be a great mistake for Parliament to try to whittle it down. Malta is vital to the defence of the Mediterranean in the cold war. Its contentment and co-operation must be obtained; and the price in constitutional concessions and money, now that a generous bid has been publicised in this manner, will need to be paid.

Whether the Maltese will accept it is to be decided by a referendum. In large constitutional changes a two-thirds majority is conventionally con-

sidered to be necessary; and it is clear that Mr Mintoff will have to increase his present narrow margin of support to this extent if he is to prove that, in the words of the report, the Maltese people do "clearly and unmistakably" accept the offer. The chances are that they will. On any analysis it is a good offer; the Nationalist opposition can hardly brand it as "integration," much less as "absorption." But it leaves the onus with the Maltese not only to accept it, but, having accepted it, to make it work responsibly and smoothly at the Maltese end. The British offer certainly seems to carry the spirit of Christmastide.

Turning Point in Turkey?

AMONG its Nato partners Turkey has rightly earned the reputation of being a reliable ally. In a notoriously troubled region it is looked upon as a solid bastion against Communist expansion, prepared both to defend its frontiers and to persuade its neighbours to guard their own. But the recent political upheaval in Ankara has drawn attention to internal strains and stresses, both economic and political, which have already begun to jeopardise Turkey's prosperity and democratic development, and, if not firmly dealt with, could also undermine its ability to play its full part in the defence of the free world.

The government's authoritarian tendencies have been causing almost as much concern as the results of its economic policies, but it was the latter that sparked the political flare-up three weeks ago. There is, however, nothing new about the economic difficulties which caused the deputies of Mr Menderes's own Democratic party to rise up in wrath, force the resignation of his whole cabinet and accord him personally only a grudging vote of confidence. For years, foreign experts have been begging the Prime Minister to reconsider policies that were plainly leading to an appalling burden of short-term foreign debt and to domestic shortages and serious inflation. What is new and heartening is the way the representatives of the Turkish people have themselves forced Mr Menderes to think again. Last week, with his cabinet reformed, he presented to the Grand National Assembly a programme which should meet much of the present criticism.

The basic complaint is not that the government is making for the wrong goal, but that it is trying to get there much too fast. It is trying to turn Turkey from the backward country that it was thirty years ago into a modern state equipped to exploit its rich resources so that it can both pay its way in the world and afford a steadily rising standard of living. A great deal has in fact been done. But Mr Menderes has set his sights so high that he has risked defeating his own ends. He has not, it is true, fallen into the common Communist error of neglecting agriculture; since 1950, agricultural

investment has risen faster than any other type of investment, and a real transformation of the countryside has been carried out. It is also true that Turkey must invest heavily in capital equipment if it is to grow out of its excessive dependence on imported goods.

But Turkey is being dotted with hydro-electric projects, cement factories, sugar factories, every sort of factory, at a pace which is both unnecessary and unwise. There seems to have been no serious attempt to lay out the country's scanty foreign exchange to the best advantage; and there has been a tendency to waste resources through lack of co-ordinated planning or through too great anxiety to reap political dividends. In some places, factories have sprung up where there is no sound economic reason for them to be; in other places factory buildings have been built and opened with a flourish of trumpets and then the machinery for them has failed to materialise. Until quite recently, the restrictions on imports have not been nearly severe enough, credit has been easy to come by, and expansion at all costs has been the order of the day.

Mr Menderes seems to have believed that if only the Turks could hold on for a few years until their various chicks were hatched, everything would be all right; and, alternatively, that if things got too difficult the Americans would be bound to bail them out. But last summer a request for a loan of \$300 million over and above the ordinary American aid that the country is getting was turned down by Washington. Americans argue that as long as the Turks fail to put their economic house in order they cannot expect to get any really large new injections of foreign aid.

The economy is certainly sadly out of order today. The trade deficit has swollen; during the first seven months of this year, imports rose by 1.5 per cent, exports dropped by 8.5 per cent, and the deficit amounted to TL 365.1 million, compared with TL 307.5 million in the corresponding period of 1954. The current commercial debt is estimated at around \$450 million. The value of the Turkish lira on the free market has fallen to one-third the official rate and the

soaring cost of living, the empty shop-windows and recurrent shortages of such necessities as sugar, tea and coffee are causing growing exasperation. Most observers agree that, whatever their origin, the Istanbul riots last September would probably not have swollen into such an appalling orgy of destruction if the "have-nots" had not seized the chance of aiming a blow at the "haves." And the discontent is not confined to the towns. Among the villagers, the chief beneficiaries of Democratic rule, there is growing dissatisfaction at the high prices and shortages of such humble necessities as sugar, nails, and spare parts for farm machinery.

Pure bad luck has, it is true, contributed to these troubles. Last year the harvest was a disastrous failure; instead of having a wheat surplus for export, the government was forced to import around 500,000 tons, and in the first six months of this year cereal exports were worth only TL 25 million, compared with TL 145 million in the first half of 1954. It is also true that the Turks have paid off some of their commercial debts and that the government has made some efforts to draw in its horns. Some import controls were re-introduced as long ago as early 1953 and in that and the succeeding year imports did fall by 9 per cent, although they began to rise again during the first part of 1955. Recently import controls have been drastically tightened, and the Golden Horn, where five years ago it was difficult to find berths for incoming vessels, is today an eloquent witness to the comparative stagnation of trade. The government also stepped up the bank rate from 3 to 4½ per cent at the end of May, and the Agricultural Bank, which eighteen months ago was handing out credits with what seemed to many people to be reckless abandon, is much more tight-fisted today.

But until this month's crisis, Mr Menderes did not attempt to get to the heart of the matter. He refused either to coordinate or to prune the government's capital investment programme, and he baulked at the thorny problem of the agricultural subsidies. Last week, he promised not only measures to reduce the trade deficit and a coordinating economic council, but also a halt to any new economic developments. He said nothing, however, about the agricultural subsidies, which speed up the inflationary spiral by putting extra cash into the peasants' pockets when there is little to spend it on. This problem is politically explosive, but it will have to be tackled sooner or later.

The critics of Turkey's primrose path have been found at home as well as abroad; and an unhappy aspect of the scene during the past eighteen months has been the government's intolerant reaction to criticism, which, if sometimes grossly partisan, has often been both well informed and constructive. A press law, so heavily weighted on the side of the powers that be that it caused a split in the Democratic party last month, has landed about a score of journalists in gaol and caused the suppression, for varying periods, of a number of newspapers. Even the independence of the universities and judiciary has been threatened. Turkey, which in recent years has been held up as a

shining example of how to make a peaceful transition from autocracy to democracy, showed grave signs of faltering in its democratic progress. It is, therefore, encouraging that Mr Menderes has promised to amend the press law and carry out other political reforms.

In Turkey, however, as everywhere else, the proof of the pudding is in the eating. It is clear that Mr Menderes is seriously impressed by the opposition he has aroused; it is not so clear that he is genuinely convinced that the measures he has now promised are really necessary. But at this stage it would be churlish not to give him the benefit of the doubt or not to hope that he can find men who are both honest and able to help him govern. No doubt the progress of Turkey's democracy—like that of many countries with far older democratic traditions—will have further ups and downs: no doubt its economic development, even if it is directed along wiser paths, will still be handicapped by inexperience, lack of trained personnel, and climatic hazards. But the events of the past few weeks have shown that the politically conscious Turk (and his numbers have grown enormously in the last ten years) is not prepared to put up with bad government.

Commonwealth of Nations

We cannot escape from the obligations and responsibilities of our position as members of the great commonwealth of nations on any plea either of incompetency or of false humility. We can discover what we ought to do, if we will really study and inquire with a single mind. We can do whatever we wish to do, if only we will bind ourselves to it with a resolute and uncompromising will. If we have made many blunders and perpetrated many wrongs in times past, it has been from want of an enlightened conscience and a high principle of action. . . . If we, as a nation, once clearly know and once boldly announce in what line our sympathies lie and to what goal our endeavours shall point—what we will systematically discountenance and what we will cordially encourage . . . without a single proceeding which even arrogance could stigmatise as unwarrantable meddling, without being called upon, except in the rarest instances, to take up arms in quarrels not rigidly our own—we should still be able constantly to succour oppressed right and to baffle aggressive wrong, and gradually and powerfully to guide the destinies of Europe towards the consummation which we have at heart. It will suffice for other States to know clearly and to know beforehand what under any given circumstances will be the wish and conduct of Great Britain, to modify their whole plans and purposes. It is because hitherto neither peoples nor sovereigns have been able to foretell this—because we ourselves have never known it—because it has depended . . . on the uncertain temper of Parliament, on the accident of the Minister or the Party who chanced to be in office—that we have so perplexed our foes and disappointed our friends, that we are charged by despots with disaffection and by patriots with perfidy, and that we have been on many critical occasions so powerless, and at almost all times so unpopular. We are now in a position to take up a line of policy at once consistent, dignified, and efficacious.

The Economist

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Notes of the Week

The Cabinet's Recruits

THE simplest summary of Sir Anthony Eden's Christmas shuffle is that it involves five major changes, two other elevations to the Cabinet, six new Ministers not of Cabinet rank, and twelve junior appointments. Four of the five major changes—involving Mr Butler, Mr Macmillan, Mr Selwyn Lloyd, and Sir Walter Monckton—have been discussed in the leading article of this issue. The fifth really important change is Mr Macleod's promotion to the Ministry of Labour. Mr Macleod is the sort of man who would be a major television star if he had not had the bad luck to be in the Government for the past few years. He has been by far the best and most informed answerer of departmental questions in the House of Commons. It remains to be seen whether he can show not only the continuing tact but also—and more important—the entirely novel sense of economic purpose that is needed to make a great Minister of Labour at this juncture. One of his difficulties may be that it is hard for a man to risk unpopularity when he goes to a new post with an unmitigated reputation for success. It is unfair to say that Mr Macleod has yet shown signs of falling in love with his own brilliance, but as Minister of Labour he may find it a disadvantage that he has got a lot of past brilliance to fall in love with.

The two other elevations to the Cabinet are appointments of useful committeemen. Lord Selkirk moves into Lord Woolton's old post of Chancellor of the Duchy of Lancaster, and Mr Buchan-Hepburn (the former Conservative chief whip) is to bring his knowledge of Government business to the Cabinet's aid while carrying the title of Minister of Works. If this last appointment means that managing the Ministry of Works is now to be regarded as a spare-time occupation, it will be a mistake; for there are reforms that are urgently needed in this neglected Ministry. When Mr Buchan-Hepburn arrives at his desk he should compare his new Ministry's costing techniques with those used in private industry or even in more up-to-date Government departments; he may get a quite a shock if he does.

Below the Summit

SIR ANTHONY'S changes among Ministers not of Cabinet rank and among the under-secretaries are notable principally, but not entirely, for the promotion of youth. Among the Ministers set in motion it is not quite clear whether Mr Boyd-Carpenter has moved up or down to the

Ministry of Pensions; in any event, the chief interest of this change is that his old job as Minister of Transport is taken over by Sir Walter Monckton's former assistant, Mr Harold Watkinson. It has been generally assumed that Mr Watkinson could not succeed Sir Walter at the Ministry of Labour because the Opposition, scenting the possibility of his succession some time ago, has made a dead set at him in Parliament; but at least part of Mr Watkinson's new duties at Transport will have to do with labour problems (the other important part will have to do with roads). There is a smooth streak of unexpected fanaticism about Mr Watkinson, and one suspects that he is not going to be a Ministerial mediocrity; that may mean that he is going to be a very good Minister or a much-criticised one or perhaps (but not necessarily) both.

The other new Ministerial appointments are Mr Birch at the Air Ministry, Mr Turton at Health, Mr Hare as Mr Lennox-Boyd's Ministerial assistant at the Colonial Office, and Mr Aubrey Jones at Fuel and Power. Mr Jones's abrupt promotion from the back benches to full Ministerial office is the most interesting development here. Although there is no doubt of his ability, he becomes the first Conservative Minister to owe the rapidity of his promotion to the useful political circumstance that he is the son of a miner. It was being said in Westminster on Wednesday that the quickest passports to promotion in the Conservative party are now either to wear an Old Etonian tie or else to carry the badge of coal or some other former depressed industry most proudly upon one's escutcheon.

There is little to say about the new under-secretaryships. Some are promotions on merit; others are reshuffles to aid senior Ministers who are under, or are likely to come under, criticism. Three of the ablest Tory intellectuals—Mr Powell, Mr Carr and Mr Alport—are likely to be given stern baptisms of fire as assistants at the Ministries of Housing, Labour and the Post Office respectively. And Mr Deedes goes to the Home Office; it is almost impossible not to make a pun about that.

Atlantic Argument

ABOUT once a year the Atlantic Council and those responsible for Nato affairs within its member governments look again at the woolly but well intentioned second article of the treaty of 1949 and wonder what to do about it. This is the article that commits members to economic collaboration and the further development of "friendly international relations." Last week the council ended its ministerial session with another inconclusive discussion about it.

This annual agitation about Article Two arises not from the lack of an international organisation to deal with economic questions—most Nato governments would probably agree that this field is already uncomfortably crowded—but from an uneasy feeling that Nato will lose the sustained public support which a democratic alliance requires for survival unless it can shed its military label, or add a new one.

But is this the real trouble? In no country is the necessity for a national defence ministry questioned, or the suggestion made that it be given extraneous functions simply to enhance its attractions to the taxpayer. Within a national government, however, defence is accepted as an ingredient of the total policy of the country, and is discussed and supported, or rejected, in that context. Nato has so far failed to match in the political field the planning and co-ordination that exist on the military side. The alliance already has highly integrated defences on land and sea, and last week took a long overdue decision to co-ordinate air defences. But it is only just beginning to have a foreign policy in even the most limited sense.

Saturday's communiqué was a surprisingly, and commendably, forthright statement on the two most difficult questions that face the allies at present: Soviet opposition to the unification of Germany, and the well-baited hooks that Russia is now casting over troubled waters. And the political discussions in the council which led to the conclusions expressed in the communiqué were found by small and large countries alike to be more than usually helpful. This is a good beginning, but there is still a short-sighted disposition to exclude altogether from Nato the discussion or even explanation of questions which are a source of embarrassment among partners.

Admittedly, Nato meetings can usefully continue to provide the opportunity for miscellaneous discussions on the sidelines. But if questions which concern the alliance as a whole are also consistently relegated to the corridors in an effort to leave the Atlantic Council itself unruffled, Nato will suffer in the long run. There is also a danger in too much playing down of the differences of view which arise in the course of its discussions; only "agreed views" are normally revealed to the public. This is not a plea for the public airing of squabbles. But it is agreement born of the right to differ which sets Nato apart from the bloc it confronts, and an occasional glimpse of the democratic process at work would do nothing but good.

Damaged Package for Tokyo

IT was hardly surprising that the official Japanese observer at the United Nations described his fellow countrymen as feeling "severe disappointment" after last week's events. To wait on Uno's threshold in reputable company, sharing one's impatience with states such as Italy, Ceylon, and Austria, is one thing; to see the doors open to admit the others, and then to find oneself alone on the draughty step with that highly hypothetical sovereign polity, Outer Mongolia, is another. The Japanese feel that they have been

singled out for this humiliation; and so they have. They were very carefully singled out, by Russia.

The Russians' aim was transparent and threefold. First, they selected Japan as a sacrificial victim because it still recognises the Chinese Nationalists, but hankers after Peking's friendship too. They wished both to teach it the unwisdom of dealing with Chiang Kai-shek, and to arouse its anger against him, for it was his veto, cast against Mongolia, that destroyed the original "package deal" under which Japan would have entered the United Nations. Secondly, they rejoiced in the chance Chiang gave them of keeping Japan's entry into Uno as an ace that can still be played during their protracted and poker-faced negotiations over a Russo-Japanese peace treaty. Thirdly, they hoped that anti-American feelings in Japan would be inflamed by the belief that the country's misfortune had been brought upon it by "the United States puppet, Chiang."

In this third respect, however, they do not seem to have been as successful as in the others. Perhaps the Formosa regime's arrogant treatment of the Security Council, and General Chiang's rejection even of personal pleas for compromise from Mr Eisenhower, made it clear, in Tokyo as elsewhere, that the Nationalists are much too troublesome to their friends to be classed as mere puppets. Moreover, the Japanese naturally followed the detailed course of the UN debates closely, and did not fail to note either the naked Soviet discrimination against them or the repeated American efforts to circumvent it. Reports from Tokyo suggest that the press and public have quickly recognised where the real responsibility for their exclusion from Uno lies. If this is so, it is both a tribute to Japanese level-headedness, and a warning to the Russians that their cynical tactics of exploiting every chance to arouse anti-Americanism can sometimes be overdone.

The Saar Edging Into Germany

THE result of last Sunday's elections in the Saar might have been worse. It had been expected in Bonn that the Christian Democratic Union would have gained more than it did from its opposition to the "European statute" during the October referendum campaign. The People's Party, it was thought, would be tainted as a French puppet and obliterated; and nobody imagined that Herr Hoffmann would save it by resigning the premiership after the referendum and deciding not to stand in the election. In the event, the CDU, though the leading party, with 14 out of 50 seats, is only one seat ahead of the People's Party. This result justifies the view that there might well have been a majority for the "European statute" in the October referendum if Western European Union had produced a genuine European solution and backed it to the hilt. As it was, the Saarlanders "voted for Germany" in October because they were convinced that the only alternative was not "Europe" but France.

The comparative success of the moderates last Sunday should not obscure the fact that the right-wing Democratic party gained third place with 12 seats. Its leader, Herr

Schneider, may become a nationalistic force to be feared in German politics. Much depends upon the government which is formed in January. If the Catholic bishops' expressed wish is fulfilled, the two moderate groups—the Christian Democrats and the People's Party—will join forces, leaving Herr Schneider in the opposition; but at present, it seems more likely that he and the Christian Democrats will form a team, with the Social Democrats, under a neutral premier.

In any event, the next government will probably cancel the essential part of the 1947 constitution, which lays down that the Saar is politically detached from Germany and economically attached to France. True, the pro-German parties did not obtain the three-quarters majority needed to make the change, but the few extra votes needed may well be provided by members of the People's Party—which is too afraid of being branded as separatist to oppose the popular demand for a return to the German fold.

The Saar is inevitably edging its way back to Germany, and the success of the moderates means only that the French will not be flouted by a sudden move. They will be offered economic concessions and a gradual loss of the Saar limb, which the Germans hope will be less painful than a sharp amputation. But it seems inevitable that when fresh Franco-German negotiations take place after the French elections, the incorporation of the Saar into the Federal Republic in some form will be proposed from both Bonn and Saarbrücken. If German reports are not too optimistic, the French are now facing the fact that a final settlement is urgently required because Saar heavy industry will continue to be starved of capital until investors know its future. As there can be no return to the *status quo*, and no "European solution" is in sight, the return of the Saar to Germany seems only a matter of time.

Commons in Congestion

PARLIAMENT breaks up at a moment of unusual political change, but also of usual mid-session congestion. Mr Butler, in his new role of Leader of the House, should have a busy time just after Christmas working out how to untangle the mess into which his last Budget threatens to plunge the Government's Parliamentary programme. Admittedly the Government has left itself a little more elbow room than usual. The session opened at the beginning of June and will run until the end of next July at least, if necessary into the autumn. The Queen's speech foreshadowed no more than a normal amount of legislation, so that, if all had gone smoothly, the Government would have had an easier timetable than for some years.

But much has gone wrong. The autumn Budget was awkward enough in itself, but Labour's hostility forced the Government to devote a quite disproportionate amount of time to the Finance Bill. This bodes no good for next year's Finance Bill, which, because of last April's pre-election scramble, will be the first full one for two years. It is therefore bound to be a monster; indeed, it is to be hoped that it will be one of the longest Finance Bills ever,

for many of the recommendations of the Royal Commission on Taxation urgently require enactment.

The Government has also had to bring in two other unexpected Bills, one to leave the Transport Commission with more lorries and one to improve compensation for slum clearance; and Ministers are having trouble both with the Teachers' Pensions and the Housing Subsidies Bills. Still to come from the Lords is the Copyright Bill, which is complex and ought to be controversial. Finally, just over the horizon is the Monopolies Bill. This is going to need a lot of time, and it is already overdue. Indeed, it is so long overdue that there have even been suggestions that, if the Government gets into difficulties with its timetable, some ministers might be tempted to suggest that this Bill should be shelved for another session. That suggestion should be slapped down before it is seriously uttered; and it should be Mr Butler's job, in his new office, to do the slapping.

A Voluntary Freeze?

THE example set by the cement and plasterboard industries, in announcing that they will not raise prices until the end of next June at least, has not yet been followed by other industries. But it has been enthusiastically welcomed by a section of the press; and General Spears, the chairman of the Institute of Directors, has written to *The Times* to urge that "a very substantial part of British industry" should co-operate to start this snowball of restraint rolling.

This is a basically unsound suggestion which nevertheless deserves encouragement in the unfortunate economic circumstances of the present time. It is basically unsound because any long-standing freeze on prices and wages—applied equally to those industries in which the demand for products and labour is growing as to those in which demand is declining—would be a recipe for long-term industrial stagnation; General Spears even suggested that the nationalised railways and coal mines should give a lead, which means that he wants the railways to allow their huge current deficit to grow even larger. It is impossible to build up a sound economy on distortions of this sort; moreover, even in the short term, the public should warily take note that some industries with central price-fixing bodies might

PARKINSON'S LAW

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THE PUBLISHER,
THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1.

have a rather sinister reason for wanting to make central price-fixing look temporarily respectable just now.

But beggars cannot be choosers, and the woolliness of this proposal should be forgiven—indeed welcomed—if there is really any chance that it might help to break the wage-price spiral that is the greatest current threat to the stability of the pound. If the initiative is to be realistic, however, the unions must play their part. Unfortunately, the reaction of certain union leaders, as quoted in the *News Chronicle* this week, was significant. "Get this round [of wage increases] out of the way," they said, "and then it may be possible to talk." On the contrary: if they maintain that attitude, there is no real point in talking about the proposal at all.

Accomplished Fact in Khartoum

SUDANESE politicians have recently acquired a reputation for having second thoughts—about the benefits of union with Egypt, about ousting and then reinstating their prime minister, about taking the final decision on independence by parliamentary methods or by plebiscite. But it may reasonably be assumed that there will be no second thoughts about the decision that the House of Representatives in Khartoum took on Monday. Once a country has formally proclaimed itself free amid scenes of rejoicing, it does not change its mind. The Sudan's former co-dominion, Britain and Egypt, already somewhat breathless from the effort to keep up with the veering intentions of the Khartoum parliament, may reflect a little ruefully that the careful plans they hammered out two years ago to ensure the Sudanese a genuinely free choice as to their future have gone slightly awry. But that is not to say that this week's choice was not freely made. Ismail el Azhary, the prime minister, may have short-circuited the elaborate arrangements prepared for his country's emancipation, but if he had instead been content to go through all the prescribed motions, would the result have been substantially different?

The cause of close integration with Egypt, which the prime minister and his party themselves formerly championed, has long appeared lost. The Sudanese are feeling their oats, and fully confident that they can stand on their own legs. They have lost no time in devising a kind of presidium to take over the functions of the retiring Governor-General. If this five-member body proves as firmly above party as its proposed composition suggests, it ought to provide a sensible, even if only interim, replacement for a British official whose position had become that of a helpless target for xenophobic attacks. Ismail el Azhary has startled Egypt into bringing Major Salah Salem, its former minister for Sudan affairs, out of a four-months' obscurity, and he has sped south like a greyhound released from its trap, perhaps with some urgent questions about the high Aswan dam project. The prime minister has also, by his dramatic move, strengthened, at least for the moment, his own shaky parliamentary position; he has publicly acknowledged the federalist inclinations of the southerners, though he may yet have trouble in satisfying them; and, by cutting a Gordian knot to which he himself had admittedly contributed a few twists, he has at all events replaced uncertainty, which in a country like the Sudan breeds fear, by the

simpler outlines of a *fait accompli*. The omens are not, then, unpropitious at the moment when the Sudan joins the comity of sovereign nations.

Agenda for Singapore

MR DAVID MARSHALL, Chief Minister of Singapore, returned home this week in a cheerful mood. He arrived more than a little suspicious of the Tories in general and the Colonial Secretary in particular; but he found everyone ready to accept his own conception of the scope of the agenda for the constitutional discussions in London next April. There is to be no hanging back. The conference is to hammer out a definition of internal self-government, and Mr Marshall will put forward his own view that, while external defence must remain Britain's responsibility, internal security is a local matter. A date for introducing internal self-government is also to be set, and Mr Marshall's target is January 1, 1957. He will have proposals for enlarging the present Legislative Assembly of 50, which is too small to provide a cabinet, a government back-bench, and an opposition as well (although some territories admittedly manage with less). He also hopes to eject the officials from the chamber, and certainly the ex-officio ministers from the cabinet, and to relegate them to being departmental heads under ministerial control.

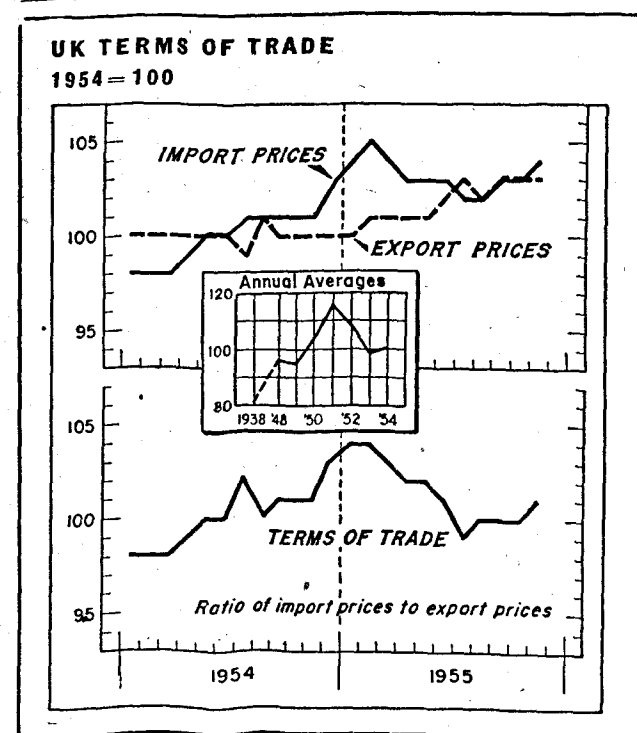
The difficulties will obviously revolve round the relation of external defence and affairs and domestic matters. On such issues as admitting Malay and Chinese as official languages there need be no argument, though there may be plenty of inconvenience and expense in regard to interpreters. But Mr Marshall has a lively awareness of his own handicaps. The first is that while he must bring back concessions to bolster his none too strong position in the House, he dare not be too cordial with the "colonialists" if emotion is not to carry the day in that emotional chamber. The second is that he lacks able lieutenants, at least in the numbers needed. The third is that he faces a determined opposition with probably a better party organisation than his own and a group of Chinese politicians whose deepest feelings are that they must place themselves in a position to "get on" with the Chinese Communists if necessary. He is confident that he can survive; and he is determined to take the large powers that, if placed in the hands of an extremist successor, would be fatal to freedom in Singapore. He insists that Britain must take this calculated risk.

Twilight of the Territorials

THE Government's reorganisation of the territorial army and reserve forces is designed to meet the realities of thermo-nuclear attack. On the supposition that at the outset the ports will be "taken out" by atomic bombs, it is no more than sensible to regard two divisions, with their supporting troops, as probably the largest forces which, with luck, Britain would be able to send overseas in support of Nato commitments. Nor is it surprising that non-divisional artillery units are to be disbanded; their role has already

largely been taken over by close-support aircraft, although these aircraft themselves do not always conform particularly well to modern conceptions of mobility for ground forces in atomic warfare. In future, therefore, some artillery functions will be performed by the armoured units to be attached to infantry divisions; the conception of the independent armoured division (which was itself the outcome of weakness in armour in the last war) is to be abandoned. More startling than these radical but long-foreseen changes is the decision to reduce the airborne division to a parachute brigade of four or five battalions. It is stated that this has no foreseeable future role as a division. Not in hot wars, perhaps, but what about in warm ones?

With this drastic streamlining of British forces for use abroad goes the frank acceptance of the real role of reserve forces at home. This is twofold. First, the reserve forces will guard against airborne landings; these might either be direct attempts to seize or cripple the country (even after an exchange of "massive retaliation" the enemy might still consider Britain a worthwhile target for invasion), or they might merely be attempts to supplement aerial attacks by sabotage. Secondly, the reserve forces are in effect the most important branch of civil defence in this country; they would be called upon to "maintain the life of the nation"—by operating in disciplined formations to organise survival after atomic and other forms of what is still politely called "unconventional" attack. It is only logical, on that basis, to stand down the home guard and the Army emergency reserve; their place is taken by the eight or nine infantry divisions of the reserve. This reorganisation may also achieve some financial savings, which can be put into research and new weapons; it marches in step with the accelerated scrapping of naval vessels. Perhaps the main question to be asked is whether the British plan does not somewhat anticipate the full-scale atomic era. But the answer must be that, as the country cannot be prepared for every eventuality, it will do best to be prepared for the most likely one.



A Fishy Story

THE Government was roughly handled in the debate on the white fish subsidy last Monday. It deserved to be. The essence of its revised scheme—even as amended in response to pressure from the inshore fishermen in the last week before the debate—is that it is cutting back the subsidy to the middle water motor vessels by £40,000 a year and that to inshore boats by £135,000 a year; but it is giving away more than the whole of this to steam fishing vessels, whose subsidy will rise by about £325,000 a year. There will therefore be no net economy in the subsidies. There will be an actual increase in them.

Members representing fishing interests, who were about the only members who spoke in the debate, did not, of course, object to that. But nearly all of them criticised the changes as simply transferring a part of the burden of maintaining the obsolete steam vessels to the relatively more efficient middle water and inshore fisheries and to the small man who operates a small boat. The Minister agreed that the smaller men have re-equipped energetically in the last few years, and so helped to keep their costs down; but he quite rightly said that this was the whole object of the subsidy scheme, and that he was glad to be able to feel that the smaller men could now more nearly stand on their own feet. Unfortunately, he had to admit that his estimates of their present profits were based on inadequate data. Representatives of the fishing ports all insisted that his figures were not merely inadequate, but plain wrong.

It was, however, in the Minister's references to the increased subsidies to steam vessels that the mistakes in this subsidy scheme were most glaringly revealed. The Minister justified these increases on the grounds of higher operating costs, particularly the cost of coal; but he could give no figures to show the extent to which the subsidy, which has been operating since 1950, has really promoted the replacement of steam trawlers by modern vessels. It is hard to see why the principle of helping steam trawlers when they make losses should encourage their replacement. The Government has announced that it intends to introduce yet another new scheme in a few months. It should concentrate the subsidies on re-equipment grants only, particularly for re-equipment of vessels from coal to oil. This is the only real justification for subsidising the fishing fleet now.

Missiles for Nato

THERE seems to have been a singularly inept muddle over Britain's offer to supply Nato countries with guided missiles. This offer was made by Mr Selwyn Lloyd, in closed session, at the meeting of the Nato council in Paris. The story as it has appeared in the newspapers would be a first-rate one, since it would carry the welcome implication that Britain was producing missiles and to spare—at least for practice purposes. But, of course, this is not true. Britain has, at the most, prototype guided missiles; and quantity deliveries of them are not expected until 1958. It is unlikely that Nato countries could hope to receive

supplies until later than that. This news is not likely to excite them. America is already sending Nato countries, for experimental purposes and without an atomic warhead, supplies of the "Corporal"—its ground-to-ground missile of 20 to 25 miles range. The United States is technically about two years ahead of Britain in this difficult field of research, but it is still far from producing a satisfactory tactical weapon.

All that Mr Selwyn Lloyd was in fact able to offer was technical advice on missiles and possibly on other modern weapons. This is a very different matter, and is more in accord with present scientific and financial realities. Britain, like its allies, is having to choose between research and the upkeep of the existing stock of conventional weapons (and of the manpower that handles them). Mr Selwyn Lloyd may have offered to supply missiles "in due course." Exactly how long "in due course" means is uncertain; but the period of waiting is likely to be fairly lengthy, and it will be largely determined by whether Britain is able to spend more on research and development in the next two years.

New Move on China Trade

WHEN Sir Anthony Eden goes to Washington in January he will make a determined effort to get the Americans to agree to a revision of the controls on exports of strategic goods to Communist China. It has always been the British contention that it is illogical to try to maintain a double standard of controls on strategic trade; exports to Communist China and North Korea are subject, under the United Nations embargo imposed in 1951, to greater restrictions than those applied by western countries to exports to the Soviet bloc in Europe. Britain wants to unify the two systems. But, understanding American susceptibilities on anything touching Communist China, the British Government has not, up to now, advertised its feelings.

On purely commercial grounds, a good case can be made out for easing—as against abolishing—the controls. But in taking a decision such as this political considerations must come first, and, moreover, Britain, having voted for the UN resolution of 1951, must abide by its international obligations. The real question is whether, on balance, pruning the strategic controls would strengthen or weaken the position of the whole free world. On the one side must be weighed the economic advantages. Many countries in the free world, particularly Japan, would welcome the chance of selling more to China, though hopes of substantial gains should be discounted. On the other side is the strategic argument. The anomaly of two different control systems enables Peking to obtain strategic machines and materials banned under the UN embargo simply by ordering them via its Communist allies in Europe. The extra cost and strain imposed by this roundabout supply route should not be underestimated; but the balance of advantage probably lies in reducing the China control list to conform with that applied to other Communist countries.

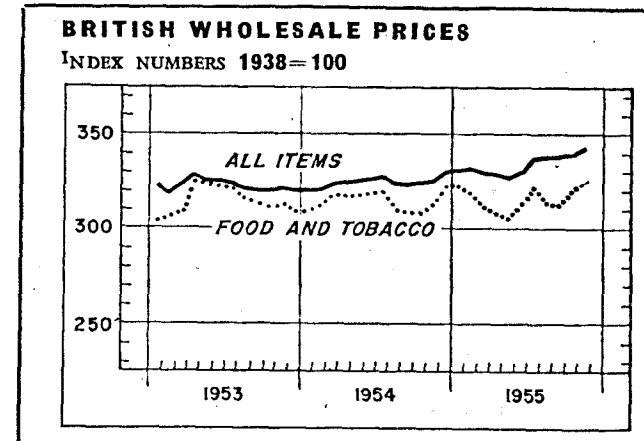
Whether the time is ripe for a frontal assault on the China embargo is a very different question. The free nations have not so many cards in their hand that they can afford to throw any away without extracting concessions from the

other side. The Americans might well argue that nothing should be done that might undermine the position of their representative in Geneva, Mr Johnson, who has been patiently and successfully bargaining for the return of American civilians imprisoned in China. Britain, too, might be rash to lose the opportunity of trying to secure some settlement of its property claims in China. And the wider question presents itself: once economic restraints are cast aside, what means would the free world retain of discouraging any fresh adventures on which a now heavily armed and militant China might embark, other than war?

An Unmoral Story for Christmas

LAST week a Labour MP asked if Sir David Eccles would please show "more tact" in writing his speeches; in other words he asked if the Minister would please dissemble his mind, which means would he please tell lies about what he thinks. The questioner was referring, of course, to that now famous speech at Leamington, in which Sir David opined that teachers were being rather "silly" in making such "a song and dance" about their pensions. Newspapers of all persuasions, politicians of all parties, and teachers of all types have joined in assaulting the Minister for this forthrightness; and, as a result, the word is being passed round Whitehall that prevarication is the better part of policy. This is a terribly unmoral story for Christmas.

A newspaper like *The Economist*, which has consistently supported the Superannuation Bill, is less well-placed to defend the principle involved in this plain speaking than a newspaper that has opposed the Bill would be; one looks less disinterestedly chivalrous riding out to oppose eternal untruths when one is riding there on one of one's own hobby horses. But even those who agree with what Sir David said should defend to the death his right—nay his duty—to say it. It was Dr Johnson who said that to be polite to an adversary is to give him an advantage that he does not deserve; and politicians who have to deal with pressure politicking should remember this. To oppose strike action with frank words as well as with frank actions does not "exacerbate feelings"; at the most, it gives the pressure group concerned something to talk back about, and thus adds to the gaiety of occupations. The

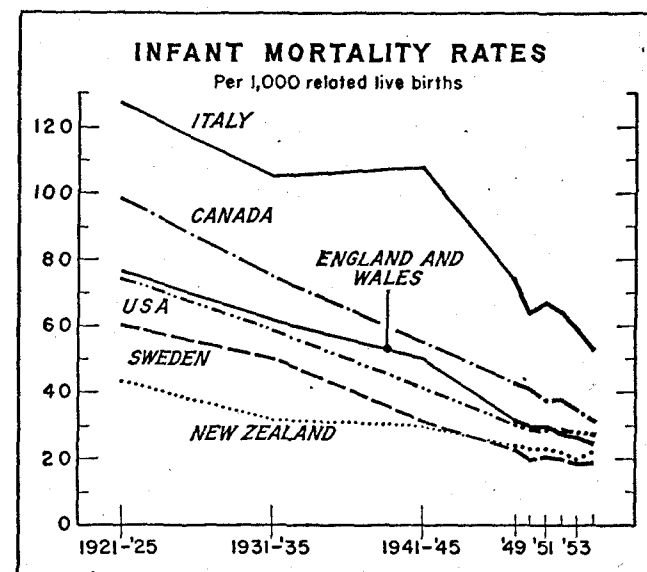


teachers have not been the worst offenders in this matter; the worst offenders have been those newspapers who, in their editorial hearts, agree with what Sir David is doing, but who think that they can show what broad-minded organisations they are by attacking him for saying what he thinks. They should remember that this is the wrong season, and the wrong stage of British political history, in which to encourage humbug.

The Lorry Drivers' Coffee Break

THE case for raising the legal speed limit applicable (one cannot say applied) to heavy lorries was argued afresh in the House of Commons last week, when Mr Nabarro moved a new clause to the Road Traffic Bill which would substitute a 30 mph maximum for the existing 20 mph. Mr Boyd-Carpenter agreed that on "the bare merits" of the matter the change was desirable. In the Minister's guarded words, however, the question is "whether and when it could be carried through with the genuine goodwill of those in industry."

"Those in industry," in this context, are the lorry drivers. The point of the present "legal" limit is that, although it applies strictly to lorry drivers' schedules, it applies not at all to their performance on the road; on any open level road a lorry doing twenty or less is a much more surprising sight than one doing forty. The combination of low scheduled speeds and high actual speeds leaves, of course, plenty of elbow room both for contingencies and for uncovenanted breathers in cafés. The principal reason for changing the law should not be to cut down these breathers. Drivers much less rested and refreshed than they are now might be a menace on the roads; and drivers racing along at fifty, in order to conform to schedules based on a notional speed limit of thirty, would certainly be much more dangerous than drivers cruising along at forty, in order to conform to schedules based on a notional speed limit of twenty. But when a new Road Traffic Bill is due to be



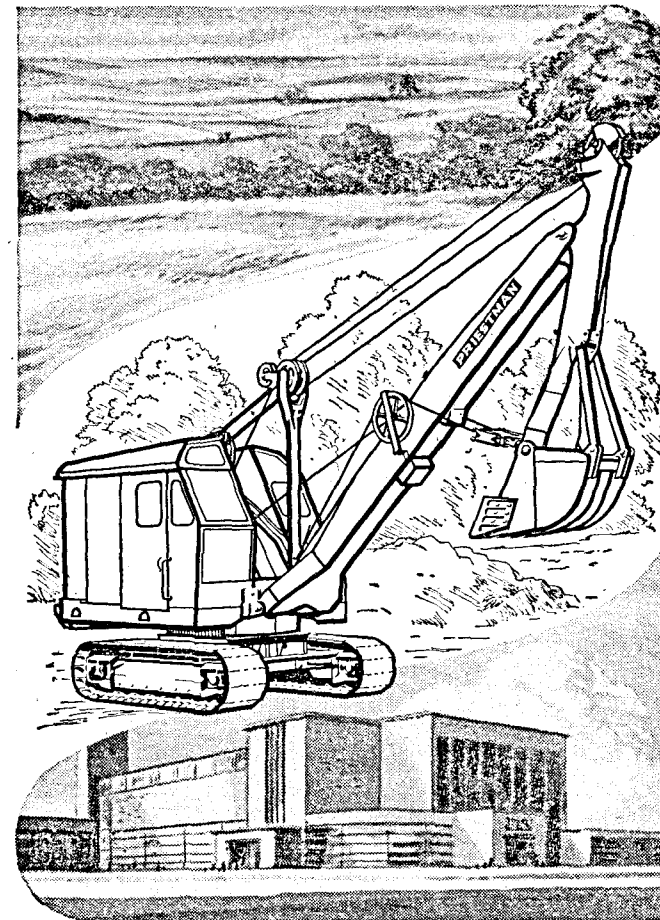
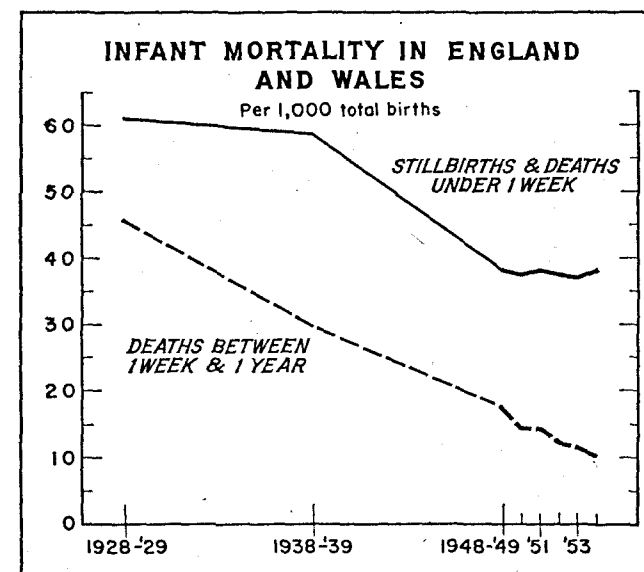
enacted, there should surely be a limit to parliamentary (and police) hypocrisy.

The proper course will clearly be to raise the limit, to amend drivers' schedules so as to give them adequate covenanted (instead of uncovenanted) rest periods, and then to ensure that the new limit is enforced no less strictly than other road regulations. So far as speed limits in general are concerned, this is saying precious little; indeed the whole question of speed limits needs realistic reconsideration. But there is no excuse for conceding to lorry drivers, by reason of their organised power, not only a standing dispensation from conforming to the law, but also a special law that is kept in being precisely because it is known that they do not conform to it.

More Babies Live

THE graphs at the bottom of this page are based on tables in the second part of the Ministry of Health's annual report (Cmd. 9627). The graph on the left shows how the gap between the infant mortality rates of individual countries has narrowed in recent years. The approximation of the rates in "advanced" countries prompts the question whether the fall in infant mortality (that is, death in the first year of life) has now been carried so far that little further improvement can be looked for.

The right-hand graph answers this question. Deaths of infants aged one week and over in England and Wales have reached a very low level; in the course of the next few years they can hardly be expected to fall much farther. Where considerable improvement is still to be looked for is in stillbirths and deaths in the first week of life. These are now grouped together as "perinatal mortality," since it is often a matter of chance whether a baby is born dead or dies shortly after birth. The most important single factor in perinatal mortality is prematurity. Thus, if a successful attack can be made on prematurity, it will be reflected in a renewed sharp decline in the infant mortality rate as a whole.



PROSPECT of PROSPERITY

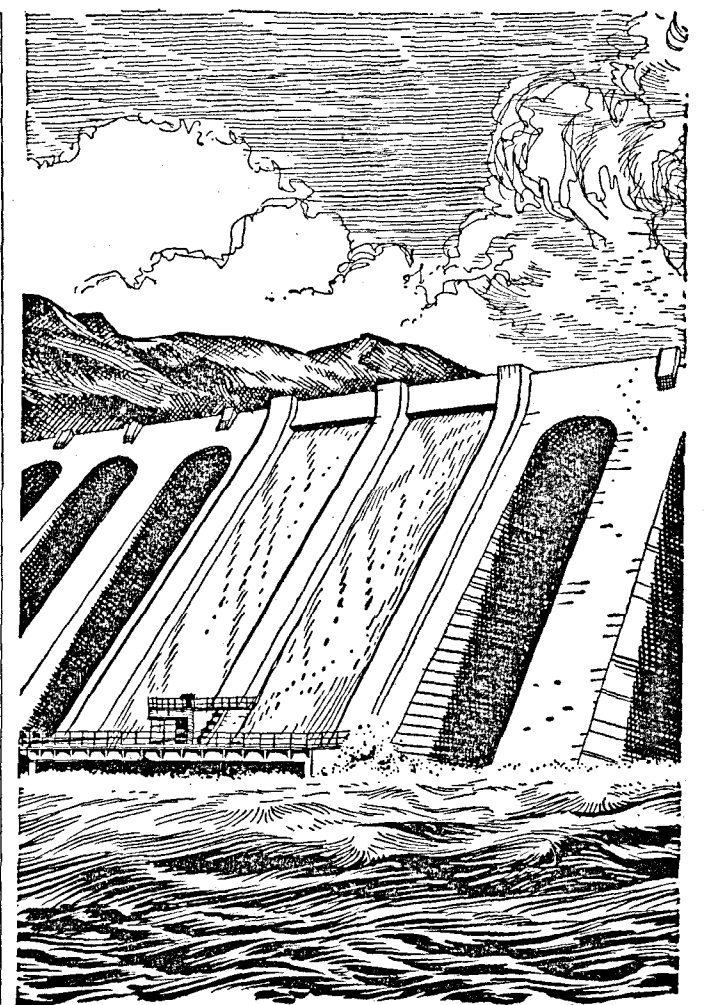
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Books & Publications

Housemanship

THE HOME AND SOCIAL STATUS.
By Dennis Chapman.

(The International Library of Sociology and Social Reconstruction.) Routledge and Kegan Paul. 318 pages. 35s.

BY its very nature sociology has been saved from some of the pitfalls that beset economics in its correspondingly adolescent days. The massive simplifying fiction of economic man finds no single counterpart in the younger discipline, and the dangers both of public misunderstanding and of surreptitious identification with reality are consequently lessened. Other figures, however, do to the lay eye seem to make a rather similar transit from hypothesis to assumption. Group Man, as beset by a yearning to "belong" as ever was Economic Man by acquisitive passion, is one such; his cousin Status-seeking Man, forever scrabbling his way up the pecking-order, is another. It is this latter character who populates Mr Dennis Chapman's statistical universe. "The Home and Social Status" includes a short and practical study of the measurement of "convenience" in location, a mass of technical directions for the appraisal and statistical use of evidence, and much shrewd and valuable good sense about the functions of the home and its component rooms; the conventions of "upstairs" and "downstairs," the provision for children (with whose interests those of the "home" as conventional artifact often conflict), the role of "sentiment-invested" objects, and the influence on family living patterns of different heating techniques.

But this factual and objectively discussed matter is shot through with moonbeams from the larger lunacy of Mr Stephen Potter. "The cultivation of relatively obscure plants in living-room gardens," for instance, like "the collection and display of objects" in general, provide a host with "a topic of conversation and a point of vantage in his status relationship with his guest." Electric light fittings are "an expression of status competition by housewives." So are "elaborate heating and cooking apparatus" and washing machines. On the hypothesis that the various indices of status, from accent to the cultivation of "various obscure plants," all move together, a scale of marks is established by which field workers may rapidly diagnose social standing from the decorations and contents of the living-room, reducing to a science what Miss Marghanita Laski

and Mr Kingsley Amis practise as an art.

"The survey results," says an appendix, "agree extremely well with the census figures." The lay reader, taking on trust the horripilating mathematics which support this conclusion, may accordingly agree that Mr Chapman has forged a handy tool of social research. He may still feel that the author's confusion between evidence of status and means to status—or rather, the dogmatic and unsupported insistence on status as ruling motive—is both unscientific and, in its implications for the value of consumers' freedom, politically unpleasant.

But "The Home and Social Status" has other and brighter possibilities, apparent to anyone studying Mr Chapman's marking system. Has your living-room a fitted ("or high-quality Chinese or Persian") carpet? Score eight marks. A rag rug? Down to two. Score seven points for standard or table lamps, nine for wall lamps. An extra two points for a pelmet, as against a mere valance, on the windows. Ten points for a grand piano, nine for the telly (surely this assessment is out of date already?); a humble upright ranks with no piano at all, both getting, however, a positive mark of four—which seems as odd as three points awarded for "no books." ("Over six feet" of filled bookshelf rates seven points, regardless of the excess.) Painted walls get eight points, distemper only two; an umpire's decision seems to be needed on emulsion-covered surfaces. And so on. (To mark one's own living-room on Mr Chapman's scale can be a chastening experience.) Few serious works of sociology can have provided what can be so justly described as an entrancing parlour game.

Prophet of Egyptian Nationalism

WINGATE OF THE SUDAN.

By Ronald Wingate.
Murray. 283 pages. 21s.

THIS book just crosses the Great Divide between the scramble for Africa and the first flowering of African nationalism. Sir Reginald Wingate died only two years ago, but his operative years were those between the occupation of Egypt and the end of the first World War. His working life therefore spans an era the shortness of which baffled almost all the colonial powers—the bare

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forty years between the "Darkest Africa" of Stanley and the first sparkings of Zaghulul.

The dark Africa was the simpler to handle, and Sir Reginald excelled in just the qualities that made Englishmen so good at doing it. A multiple linguist and superb intelligence officer, he had the patience and talent for probing African minds, and the knowledge for devising the kind of management they would understand. His monument is the order wrought out of chaos in the Sudan during his Governor Generalship.

But a working life insulated by distance and desert from interference and hurly-burly fitted him ill for the arena into which he was pitched when he became High Commissioner for Egypt in 1917. The job was daunting; the protectorate had never been defined; ambition for self-government was rampant; if Anglo-Egyptian friendship was to survive, a moment's attention paid to it by the overwrought British statesmen in Paris was imperative. Wingate insistently reported as much and, finally, rushed home to tell what he knew. But nothing short of shove, temper, overstatement, and the use of the elbow would have budged the weary world he tried to jostle. A younger Curzon, writing from Persia, and even India, had been alive to the rumblings of nationalism. ("What is the origin of the mistakes made at the other end? It is that men are standing still with their eyes shut and do not see the movement here"). Possibly a subtler man than Wingate could have struck a chord of recollection or played on vanity; possibly by 1919 Curzon was too Olympian to remember the Orient from the Oriental end. Whichever is the explanation, the weight of Wingate's knowledge disappeared into files and he was steam-rollered into impotence and thirty years of retirement. Unthanked and in the silence enjoined by a nineteenth century upbringing, he watched the events which proved how right he had been to recommend meeting Egyptian nationalism half-way.

Possibly he was temperamentally unfitted for the hateful job of pestering and fighting superiors, but the book offers little clue to the enigma of temperament. Surely a son writing from the voluminous papers of a man who "kept everything since his commission in 1880" could have extracted from them, or from his own memory, a little more about his father as a person. Were there no letters catching likenesses, uttering criticisms, complaining, laughing or indulging in any of the foibles that are part of every man? Is the diary wholly confined to facts, such as the hour of a battle or who was on the train? Only a very occasional snapshot livens the bare bones of incident; there is not a single lively portrait of a Sudanese. Most of the people who will read the book are already acquainted with the history, and would have liked more of Wingate's "life" and less of his "times."

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Marxism Criticised Anew

DEMOCRACY AND MARXISM.

By H. B. Mayo. Foreword by Walter Bedell Smith.
Oxford University Press. 375 pages. 32s. 6d.

THE critical literature of Marxism, largely quiescent, apart from political tracts, since the early days of the century, resumed its flow a few years ago and still continues in full flood. At one time in the care mainly of economists, it has been especially enriched in recent years by contributions from philosophers and historians. In this book, a political scientist goes over the increasingly familiar ground. Professor Mayo's effort does not show the philosophical depth or intellectual incisiveness of Professor Acton's recent work, nor the historical range of Mr Carew Hunt's two books, nor yet the wide knowledge of continental politics and political philosophy that inspired that of Dr Plamenatz. It also lacks, by the author's deliberate choice, an analysis and critique of Marxian economics. This is a serious deficiency in a book explicitly devoted to assessing the social rather than the epistemological claims of Marxism. Another weakness is the author's style, which fluctuates disconcertingly from the colloquial (and almost journalese) to the abstruse (and almost stilted).

Nevertheless, this is a useful book. It will give those readers who find it difficult to cope with, say, Mr Acton's rarefied analysis a good conspectus of the main issues that divide Marxists—especially the modern, Russian-dominated variety—from thinkers who have remained in the true tradition of rationalism, and a solid foundation for an effective critique of Marxism. Mr Mayo follows, moreover, the best tradition of scholarship in treating his subject, even when it is intellectually least impressive and practically most distasteful, with the tools of logic rather than passion. This is not to say that the book lacks warmth. In his account of what democracy stands for (for example the excellent description on page 271 of the "positive" state, or his consistent plea that anti-communism must not be allowed to degenerate into anti-democratic hysteria) he shows that he possesses faith and courage.

The following deserve mention as particularly good features of the book: the demonstration that the Marxian "class struggle" is by no means unique as a source of possible social conflict; the crushing critique of the theory of the dictatorship of the proletariat; the excellent analysis of the role of the historian; the exposure of the fallacy of "historical necessity"; the illuminating account of the relation between propaganda and "scientific method" in Marxism; and the comparison of Marxism and religion.

The last chapter gives the whole book its title. It shows the author as a spirited defender of democracy, who skilfully compares the two systems he

has analysed and conclusively shows the hollowness—and worse—of Marxism. The chapter is, however, only 50 pages long and leaves the impression of a separate essay rather than of a drawing together and summing-up of the book.

Too Many

STANDING ROOM ONLY.

By Karl Sax.

USA Beacon Press. 206 pages. \$3.00.
POPULATION AND PLANNED PARENTHOOD IN INDIA.
By S. Chandrasekhar.
Allen and Unwin. 120 pages. 12s. 6d.

A CLOSE season might well be declared for the production of books on the population question. Since the 1930s, and especially since the war, there has been an unending spate of writing, some good, much bad, on the theme of world population pressure, soil erosion, exhaustion of mineral resources, the threat of famine, and so forth. The question is important enough, certainly; the apocalyptic global approach to it, even if it deals in limiting cases corresponding to no economic or political reality, has a certain shock value; but the returns, in public awareness, to each successive powerful invocation of the laws of arithmetic diminish as inexorably as ever did Malthus's returns of corn to successive pairs of hands.

If Dr Sax's book stood alone one could readily acclaim it, like the American reviewer quoted on its dustcover, as "a succinct and challenging presentation of a problem we dare not ignore." It is a shapely and businesslike statement; its tone is sensible, its projections are cautious, and it performs some salutary critical jobs, notably on Dr Josué de Castro's egregious "Geography of Hunger." But the ground which it covers is so well trodden that one wonders why it should have been written.

Dr Chandrasekhar's study, while not in any absolute sense vastly superior, falls into a much more useful class; it treats, at once thoroughly and in non-technical language, a theme hitherto only dealt with either far too generally or on a level accessible only to experts. India, long cited as the *locus classicus* of unmitigated Malthusian pressure, is now qualifying to offer a different sort of example; for India is the one country where family planning enjoys, however cautiously, active government support backed by government funds. Dr Chandrasekhar gives, against a succinctly stated and up-to-date background of demographic facts and their social and economic determinants, a brief estimate of the medium-run possibilities of agricultural and industrial progress, reaching the inevitable conclusion that these cannot provide sufficient relief in a sufficiently short time. The long-run remedy of mass migration which, in "Hungry People and Empty Lands," he prescribed for overpopulated Asia in general, is here dismissed as politically unrealistic within the relevant future.

He then settles down to his main task:

an assessment of the prospects of the birth control movement from the point of view of its compatibility with the chief Indian creeds (a fascinating chapter for the uninformed westerner), of the suitability of various techniques to Indian conditions, and of the administrative and human difficulties to be overcome. While his purpose is primarily to rouse and form the educated opinion of his own country, much of what he writes applies to any community caught up in that "demographic explosion" which follows a successful attack on primitive death rates, and some is valid for any community whatever. For Dr Chandrasekhar never forgets that the demographic aggregates in which he deals are made up of individual human beings with emotional and spiritual as well as physical needs; and this truth is independent of geography.

Shadowy Counsellor

LORD CREWE: the Likeness of a Liberal.
By James Pope-Hennessy.

Constable. 222 pages. 21s.

AFTER serving as an assistant private secretary to the amiable Lord Granville, Robert Milnes was just about to contest a parliamentary election when, in 1885, peerage descended upon him. He was then 27 and had sixty years of life ahead of him. He was Viceroy of Ireland in Mr Gladstone's last Government, held a variety of Cabinet offices during the Campbell-Bannerman and Asquith regimes, 1905-16, being for the greater part of that time leader of the Liberals in the House of Lords, and finally was in 1922 appointed by Lord Curzon British Ambassador in Paris, a post which he held for five years.

It is very difficult for one whose whole political career is passed in the House of Lords to create a distinct impression on the public mind. Rosebery succeeded in doing so; but he was a brilliant platform orator, a sensationally successful racing man, and altogether a flamboyant and exotic figure. Perhaps Lansdowne succeeded; but more by reason of three sensational failures than by any of the successes of his painstaking career. Crewe was not the man to make a distinct impression: he was an admirable aristocrat, a charming person in private life, but publicly aloof and reserved, and a poor speaker. Yet Asquith has recorded that throughout the long harassing years of his premiership he regarded Crewe as his wisest counsellor, and more recently Lord Samuel, a junior minister in those days, has emphatically confirmed this impression, writing of his "unique position," his "uncanny soundness of judgment."

A satisfactory life of Lord Crewe would make plain to us the source of this wisdom, and how, when, and where it influenced the course of events. It may be that the materials for such a revelation do not exist. Mr Pope-Hennessy's book certainly achieves nothing of the kind. There is, of course, some interesting information in it, but

it is a fragmentary and superficial performance. One gets the impression that Mr Pope-Hennessy neither knows nor cares very much about the political battles of those days. Lord Crewe was always an august and dim figure; august and dim he remains. The quotations from his memoranda and retrospective essays strike one as undistinguished.

Indo-China, Act II

THE STRUGGLE FOR INDO-CHINA CONTINUES.

By Ellen J. Hammer.
Stanford University Press. London: Cumberlege. 40 pages. 8s.

DR HAMMER'S book, "The Struggle for Indo-China," which was reviewed in *The Economist* of December 11, 1954, is the most authoritative work on the subject in English. The only serious criticism that could be made against it was that it stopped too soon: there was an air of unreality about the last chapter, which covered events up to the eve of last year's Far Eastern conference at Geneva, which brought the Indo-China war to an end. This supplement to the original work, which is subtitled "Geneva to Bandoeng," fills in the gap; although, so long as the fate of Vietnam remains undecided, Dr Hammer will have to hold herself in a semi-permanent state of readiness to produce yet another sequel.

There is little to say in praise of this additional chapter that has not already been said of the original book. Dr Hammer's lucidity and intelligence are matched only by her accuracy. There are signs that the American policy of wholehearted support for Mr Ngo Dinh Diem, now President of the non-Communist Republic of Vietnam, may, after all, yield dividends. But it is by no means certain that these dividends will be those that might have been desired; and even at this stage the American policy-makers might do well to ponder the significance of Dr Hammer's verdict that "the experience of the United States with Ngo Dinh Diem has demonstrated the importance of using the American presence in the south to encourage unity round a specific programme of action, rather than identifying American policies with any single individual, whoever he may be." The essential truth of this observation will not be diminished even if Mr Diem does succeed in preserving his half of the country from Communism.

Scholar and Critic

ALL IN DUE TIME.

By Humphry House.
Hart-Davis. 306 pages. 15s.

THE late Humphry House combined great and rare qualities. He was a scholar of unrelenting exactitude, second to none in his knowledge of nineteenth-century England. He was an editor whose delicacy of perception illumined the notebooks of Gerard

Manley Hopkins and whose uncanny penetration of an age would have triumphantly presented the great mass of Dickens's letters. He was a critic, fastidious and ironic, and never afraid of approving the manifestly excellent. But, above all, his was a mind searching out that complex line where literature touches concrete experience, and there could be no better introduction to Humphry House's achievement than "Peterloo II," first published in this posthumous volume of essays and broadcasts.

In this essay Humphry House discusses the "magnificently rich" literature that grew up around the Peterloo massacre. Throughout, he compares Shelley's "Mask of Anarchy" with immediate accounts and the cross-examination of one John Jones, fustian-cutter. It is splendidly characteristic of House's way that he prefers Jones to Shelley and goes on to remark that all of Shelley's poetry suffers for a lack of direct idiom. The same distrust of the contrived and conventionally admired informs a brilliant paper, "Are the Victorians Coming Back?" In it, House argues that in the present Victorian revival, in the sophisticated zeal to be with Mr Betjeman against the recent times, we are reviving much trash and ignoring Matthew Arnold's warning that his age was a critical one and should be critically approached.

This is a rich book, in many moods. There are swift ferocities in it. There are important papers on Hopkins, Dickens, Tennyson and George Eliot. There is a delightful eulogy of the national grid on maps, and House's affection for the evocative exactitudes of topography is characteristic. But there is much here that extends beyond scholarly criticism and has the central vision of critics like Arnold and Taine. Reflecting on Peterloo, House wrote:

If Peterloo, because of its famous nickname, remains in every schoolboy's memory, it should remind him always in after life that an executive which is not submitted to severe and informed criticism in every move it takes verges towards both incompetence and tyranny.

Few literary scholars would have felt moved to write that.

Ripe for Development?

HIMALAYAN BARBARY.

By C. von Furer-Haimendorf.
Murray. 241 pages. 21s.

IN 1944 the author and his wife undertook the exploration of the country lying between the Assam valley and the borders of Tibet to the north of the main Himalayan range. Their terms of reference were to establish friendly political relationships with the more or less unknown and mutually hostile tribes of the region on behalf of the Government of India. Professor Haimendorf is an authority on the ethnology of India. He has made a specialty of the attractive and picturesque head-hunters of the Naga

Hills. As the present book shows, he is also an indefatigable and resourceful explorer, a kindly diplomat, a tolerant connoisseur of custom and of the unconventional in personality, and a superb photographer. A better choice for the journeys of persuasion and reassurance here recorded could hardly have been made. Did Professor Haimendorf and his wife enjoy and believe in their official roles or was their true interest in the incredible scenery, the majestic mountains and rivers, the delightful Apa Tanis and their impetuous neighbour-enemies, in short, in the geography and ethnology of this region? Although this book is intended for the general public and not for the scholar, enough comes out to make one suspect that there were frequent struggles in the professor's heart between the ethnologist face to face with exciting new material and the political envoy introducing the thin end of the wedge of irrelevant law and precarious order.

We can see this in the book. The author is at his best revelling in the descriptions of the Arcadian life and habits of the Apa Tanis and a sparkle creeps into the otherwise flat narrative when he stops to discuss how these tribes have managed to maintain so rich and satisfying a way of life without benefit of either Hindu or Western civilisation. They fight and feud, they keep slaves—who, however, often refused the offer of "liberation"—they have what used to be called the religious beliefs of savagery; yet they also have extraordinary skill in producing food, building houses, keeping livestock, and so forth. "The romantics," Professor Haimendorf says, "may feel satisfaction that somewhere in the world there are still unsophisticated and picturesque peoples who persist in their traditional ways of life. . . ." He goes on to make it quite clear to anyone who can read between the lines that he has a very strong affinity with these romantics. When, taking cover, he quickly intones the Unesco creed that " . . . particularly the introduction of such basic measures as fundamental education, medical aid and above all instruction in improved agricultural methods" are "benefits" these lovely peoples might "derive from closer contact with the outside world," he sounds unconvinced and unconvincing. It is only when he is making such concessions to the "trend" that the author's pleasant and informative style lapses into clichés.

Transforming the Villa

THE CONVERSION OF OLD BUILDINGS INTO NEW HOMES FOR OCCUPATION AND INVESTMENT.

By C. Bernard Brown.
Batsford. 232 pages. 45s.

WHETHER the old saw "fools build, wise men buy" can be safely amended to "wise men convert" may be debatable; but it is certain that anyone considering the conversion of a

house will be wise to read what Mr Brown has to say about it. He appears in this book as the architect everyone would like to have: not only expert in ways and means of remaking an old house into a modern dwelling, but infinitely thoughtful on the subject of finance and location, and the real needs of various types of client. Most houses, however dilapidated or inconvenient, can be converted at a price; Mr Brown is interested in the possibility not only of saving architectural gems (such as the Paragon in Blackheath) by converting them into modern flats, but also, and particularly commendably, in finding the cheap property in an unfashionable but rising district which by conversion can provide the most economical fully modern dwellings available today and which may yield perhaps the greatest capital appreciation of any form of investment.

By dividing a large house into flats one can get one's own flat freehold completely free as well as the head lease of the others sold after the conversion. But everything, of course, depends on getting a readily convertible property relatively cheaply. Mr Brown instances a suburban villa let at a ground rent of £18 a year (so bad was its condition) which, when converted to four flats, became worth £9,700 with a ground rent of £93 a year. With the aid of a local authority grant two charming flats can be hollowed out of an old house at a cost to the converters of £475 apiece; which is cheap indeed. Converting for investment probably requires more capital and skill than the unwary realise; but for partial occupation as a means of providing a family with a modern home economically by converting and selling the freehold of the unwanted flats, it is very much a way of combining home-building and entrepreneurship. If enough people made a success of this method the vast capital stock of all-too-solid Victorian houses, now so ill designed to modern living and social conditions, yet so costly to replace except by blocks of subsidised council flats, might become a far greater national asset; and as Victorian mansions and villas are transformed into modern homes, the sprawl of cities might be alleviated and rotting districts steadily reclaimed. Here and there the reversal of the usual tendency of once fashionable middle-class districts to go down can be witnessed in London: it is possible to find working class streets (as well as mews) becoming the prerogative of the intelligentsia with modern windows and painted fronts on the outside, and, within, modern sanitation, constant hot water and sweetness and light, often achieved by spiral staircases and glass bricks.

Mr Brown illustrates these devices and many more; he is above all helpful on the points on which the inexperienced slip—the sort of layout which does not lend itself, the problem of roofs, the right way with basements. He examines thoroughly the question of selling leaseholds of flats, a growing practice in England (it has been common

in Scotland for years) and the apparently difficult question of organising repairs under a system of ownership in tiers; and he explains the position of local by-laws. He shows the house-converter how to use his experts intelligently—surveyor, architect, lawyer, and above all that sometimes slippery but generally essential intermediary, the house agent. He gives examples of many types of conversion from Victorian villas to agricultural cottages, and the book is admirably illustrated with photographs, plans and architects' thumbnail sketches. It is, indeed, a book which should send many despairing home-hunters off on a new type of search, inspired by new ideas of profit and reclamation.

Shorter Notices

THE ROOSEVELT FAMILY OF SAGAMORE HILL.

By Hermann Hagedorn.
New York and London: *The Macmillan Company.* 435 pages. 35s. \$5.00.

The belief that the family life of a President of the United States is necessarily of consuming interest, while perhaps natural to the citizens of a republic, is less widespread amongst the subjects of a monarchy. And while it is true that Teddy Roosevelt, that engaging and puzzling blend of Sir Winston Churchill and the late Kaiser Wilhelm II, is better "copy" than any other President since Lincoln, it is still doubtful whether 400 pages devoted to the President in his family circle would hold the interest of any but the most devoted idolisers. Mr Hagedorn has done a good job, with competence rather than any particular psychological insight, and the picture that emerges has a certain period charm. But one cannot pretend that it tells us as much about Roosevelt, the President, as would a few well-selected quips of Mr Dooley.

THE CYCLE OF AMERICAN LITERATURE.

By Robert E. Spiller.
New York and London: *The Macmillan Company.* 333 pages. 33s. \$4.75.

This book will disappoint many of its readers. In somewhat Spenglerian terms it sets out to show that there are "cyclical patterns" in American literature, the one beginning along the Atlantic seaboard and culminating in Melville and Whitman, and the other starting on the western frontier and producing, rather incongruously, both Mr Eliot and Mr Faulkner. This view is founded on the assertion that "life is organic" and that the literary historian must adopt "an organic view of history." If this means that he must consider literature as related to historical circumstances and as showing complex analogies with the phenomenon of growth, maturity and decay found in other domains, it is not very original. If it means something more mysterious, as is suggested by Professor Spiller's reference to "basic rhythms" and "symbolic illumination," it is too cryptic an assertion to prove of much use.

In fact the book is a somewhat pedestrian account of American literature with names, dates, places and quick marks of approval or criticism as the titles are recited. The more advanced student will continue to find the great "Literary

History of the United States," which Professor Spiller helped edit with such distinction, indispensable.

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THE OXFORD HOME ATLAS.

By the Cartographic Department of the Clarendon Press.
Oxford University Press. 140 pages. 15s.

The Oxford University Press has added one more to the list of atlases, general and specialised, which it has offered to the public in recent years. The Oxford Home Atlas has a number of points of technical interest that distinguish it from other atlases. The most striking, perhaps, is the effective technique that is called "hill shading," which in many of the maps has been preferred to the customary layering. This hill shading not only gives a very good impression of relief, but is also aesthetically very agreeable. The majority of the maps are on a fairly small scale, which is inevitable in the 10-in. by 7½-in. format, but the range of subjects covered is extremely wide. Population, physical, vegetation, and climatological information is provided throughout the world, and there are some useful maps dealing with sea and air communications. In the space of a short review it is impossible to list the wide range of topics dealt with, but it is right to say that at 15s. this new atlas is very reasonably priced.

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A SIMPLE GUIDE TO SHAREHOLDING AND COMPANY ACCOUNTS.

By John Wood.
Putnam. 130 pages. 9s. 6d.

This is a useful little guide for the uninstructed ordinary shareholder. He should, however, understand what it does and what it does not contain. It shows the way round company balance sheets and profit and loss accounts, and includes just a little about Stock Exchange prices and the cost of dealing. It does not deal with investment policy at all—when to buy and when to sell and when to hold ordinary shares and when fixed interest stocks. Indeed, it deals with nothing except ordinary shares. And when the author goes into detail, he sometimes makes omissions. He fails, for example, to allow for the profits tax attracted on full distribution when he works out the dividend cover. "The ordinary dividend of £30,000 is paid out of an available £40,000. It can be said to be covered 1.3 times." It can, but it should not.

Correction

HORATIO BOTTOMLEY.

By Julian Symons.
The Cresset Press.

IN our review of this book, which appeared in our issue of November 26th under the heading of "The Blackguard," we said it had "one or two glaring inaccuracies—not important in themselves but bad enough to make the reader wonder how much care has been given to checking other facts that really do matter." We have now come to the conclusion that the adjective "glaring" was too strong, and in one of the matters that our reviewer had in mind Mr Symons's account was not inaccurate and our review was mistaken. We offer our apologies and regrets to Mr Symons for the mistake.

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.

Star-Spangled Santa Claus

Washington, D.C.

THE Ford Foundation was hailed as a veritable Santa Claus when it announced last week the gift of \$500 million to improve services and salaries in more than 4,000 American colleges, universities and hospitals. This piece of private giving was, according to the *New York Times*, "the largest lump sum of gifts in the history of philanthropy"; and in truth it was a considerable lump. Yet it left the Ford Foundation at the top only of its own league. There is another and much bigger league whose Santa Claus bestrides the narrow world like a colossus. His friends call him Uncle Sam. The benefactions which the United States government has come to dispense all the year round seem to be an eminently suitable subject for contemplation at Yuletide. Nobody should be put off by the thought that Uncle Sam is a tall, rather stringy figure, far removed from the overweight cherub behind the airborne reindeer. You cannot tell by appearances.

He would be a well-satisfied Chancellor of the Exchequer who could bring Britain's gold and dollar reserves up to the sum which Uncle Sam paid out to support the prices of the American farmer's crops in the last fiscal year. At the last accounting, the British vaults contained some \$1,100 million less than the United States government spent between July 1, 1954, and June 30, 1955, on maintaining the incomes of American farmers from maize, wheat, cotton, rice, tobacco, peanuts, tung nuts, wool, mohair, dairy products, grain sorghums, soya beans, barley, oats, rye, turpentine and resin, cottonseed, flaxseed, dry edible beans and honey. Some of the money is recovered, of course, when government-owned surpluses are sold. Still, 1954-55 was a year when the American farmer had good reason to sing in his bath; though there is no real information on what he was singing, the fact that honey was on the list of price-supported crops might have made "where the bee sucks, there suck I" a good tune to start with.

The experts then got to work on a system to prevent the farmers from producing so much; as a result farmers' incomes have not been rising so fast, lately, as have those of the city-based millions. And nothing is now frightening the Republican party so much as the dreadful pre-election bowl of the men who are due, in the current fiscal year, 1955-56, to receive only \$2,200 million from price support operations, well over one and one-half times the estimated cost of building the High Aswan Dam and its related projects over the next eighteen years.

Jingle bells, jingle bells—and next Uncle Sam reaches into his sack for presents for two groups who have perhaps

not been thought of as engaged in a struggle with poverty and want. The publishers of the magazines and newspapers in the United States get an annual handout which amounted to \$250 million in the 1954-55 fiscal year. Another gift goes to those who send advertising material through the mails. They were supported during the year with \$150 million worth of Uncle Sam's money. It costs the United States Post Office 11½ cents to handle one pound of magazine or newspaper mail, but the publishers pay only 2½ cents of this. The elected representatives of the American taxpayer have gravely accepted the argument that newspapers and magazines should be subsidised because they are necessary to the cultural and economic life of the nation. They have accepted just as gravely the thesis that direct mail advertising—much of which is thrown away without being read—earns its subsidy because it stimulates business in general and assists in particular small enterprises which cannot afford to advertise in the newspapers or magazines. It is some time since either of these arguments has been examined with any thoroughness and, indeed, a lot of political dangers can be avoided simply and effectively by keeping on paying up.

In the 1954-55 fiscal year Uncle Sam slipped more than \$150 million into the stockings of American shipowners and shipbuilders. The gentleman in the tall star-spangled hat, not the employers, is providing 75 per cent of the wages paid to American seamen. This, of course, is to enable the shipping lines to meet competition from maritime nations who can run their ships more cheaply. When a ship is built in an American yard it costs the operator only what a foreign yard would have charged for it; the rest comes from the federal government. Uncle Sam's benefactions to airlines, in the form of subsidies for carrying the mails, are due to come down to \$48,500,000 in the current fiscal year. The big domestic airlines are demonstrably doing nicely for themselves; it is only some of the smaller companies and certain services to places outside the continental United States which are still entitled to a present from the government.

When the review of the 1956 Budget was produced last summer it was estimated that Uncle Sam's veterans would require \$383 million more than in 1955. They would require, in fact, \$4,839 million. The recipients of this bounty are not, as their name might suggest elsewhere in the world, old gentlemen tottering about on walking sticks.

They are ex-servicemen of any age and there are well over 32 million of them. Only part of the vast annual outlay is spent on the ill and disabled or disbursed in compensation and pensions. From end to end of America, college campuses are echoing to the tread of veterans in their twenties who are educating themselves and supporting their attractive wives and small children on government money. A married veteran of the Korean war with one child, for instance, can draw \$160 a month under one of the generous education and training schemes. Since the end of the last world war more than 9 million have taken one or another of these grants; some 700,000 are being sustained at present in colleges and schools, on farms, and in job-training centres. When a veteran wants to buy a house or a farm or a business, Uncle Sam helps him with an insured loan.

Next year Congressmen seeking re-election will be men who have voted for these federal benefactions, and have themselves been in receipt while on Capitol Hill of the most remarkable variety of subsidies ever conceived, from free summer trips abroad to free haircuts at home. One of the few safe predictions is that many of them will refer cordially in their speeches to the competitive free enterprise system which, they will add, has made America great.

Arms Account

AFTER a long week-end of confusion, Mr Dulles has clarified the Administration's plans for foreign aid for the 1957 fiscal year beginning next July. But he has given no satisfactory explanation of why congressional leaders, only a few days before, at a formal meeting with the President, had received the firm impression that about the same amount would be requested for the mutual security programme next year as was appropriated this year—\$2.7 billion. This figure had even been mentioned officially. Yet it now appears that almost \$5 billion is in fact to be requested, although plans can still be changed. It is difficult to believe that such an increase could have been conceived and agreed within such a short time, especially when most of the Cabinet members concerned were away at the meeting of the North Atlantic Treaty Organisation. Members of Congress naturally feel aggrieved and there is every reason to expect that, when the foreign aid programme is debated, their sense of injury will take the form of a refusal to give the Administration as much as it wants.

The official explanation of the misunderstanding is that actual spending was confused with appropriations: next year the former will run at about the same level as it has this year—\$4.2 billion—but appropriations will, if Congress agrees, go up sharply. Much of the money being spent comes from the backlog of funds from previous years, appropriated for future use in order that military equipment, such as tanks and aircraft, which take a long time to produce, could be ordered in advance. Last year Congress refused to replenish this backlog by as much as the Administration had hoped. This is one reason why this year's request for appropriations is going up; another is that much of the military equipment provided for America's allies when the present series of deliveries began some years ago is now either worn out or obsolete; moreover, today's more complicated replacements are more expensive.

As the result of all this, to keep the supply of arms flowing at the present rate, the Administration proposes to ask Congress for \$3 billion in new funds for military aid for the 1957 fiscal year; three times as much as was provided for 1956; much of this money is to be spent in later years. It thus becomes obvious that, whatever the reason for the recent confusion, it did not arise out of a sudden decision to outbid Russia by a substantial increase in economic aid to underdeveloped countries. Admittedly, slightly more is also being asked for the Middle and Far East, but the total of \$1.9 billion planned for economic aid is only \$100 million more than was asked last year, and \$200 million more than was granted by Congress.

Democratic Colours

MR ADLAI STEVENSON is no longer alone in the paddock for the 1956 presidential Derby. He was joined last week by another challenger from the Democratic stables as Senator Estes Kefauver of Tennessee surprised no one by announcing that he was a runner. Mr Stevenson has said repeatedly that he would prefer to save his strength for the race itself when he will be attempting to defeat the Republican candidate. But Senator Kefauver has left him no choice and Mr Stevenson must now show his form in a series of strenuous preliminary heats against one or several fellow Democrats. These races are the primaries—extremely complex elections in which Democrats and Republicans in nineteen states express their preference among potential presidential nominees from their respective parties. A series of victories in these primaries may—but frequently does not—ensure that the successful candidate will be chosen by the national convention; a series of defeats, however, puts a man out of the running.

Mr Stevenson has, so far, decided to enter primaries in Minnesota, Illinois, Pennsylvania, Florida and California. In Minnesota, where the primary takes place on March 20th, and in Pennsylvania, a month later, Mr Stevenson is expected to romp home comfortably, as the Democratic organisations in both states are solidly behind him. The same should hold true of Illinois, which is, after all, Mr Stevenson's home ground. But in Florida in May and in California, on June 5th, it may prove a close race. Mr Kefauver is by no means the choice of professional Democrats in either state, but in the rank and file of the party he has many supporters. Mr Stevenson has refused to jeopardise his chances by entering the earliest of all primaries, in New Hampshire on March 13th. In that small state, which sends only eight delegates to the Democratic convention, Mr Kefauver is somewhat of a legend; he claims to have shaken the hand of every Democrat in New Hampshire, and it was there that he began his spectacular campaign for the nomination in 1952 by defeating President Truman.

Neither candidate has, as yet, decided to enter the Ohio primary on May 8th. The reason is that the Democratic Governor of the state, Mr Frank Lausche, has decided to enter his name in the contest as the state's "favourite son." This does not necessarily mean that he has hopes of winning the presidential nomination, but it does mean that he

wishes to keep Ohio's 56 delegates under his control at the Democratic convention. Mr Lausche is phenomenally popular in his state and will probably go unchallenged. In the meantime, Governor Harriman of New York is standing outside the paddock ostensibly studying a form sheet. Oddly enough, however, he is wearing boots and spurs and that large animal behind him looks remarkably like a horse.

Cause Célèbre

MANY members of the Administration will be looking anxiously up their chimneys on Christmas night not in the hope of seeing Santa Claus but in the fear that the stout ghosts of Mr Dixon and Mr Yates will be coming down to haunt them. For the frustrated contract between the Atomic Energy Commission and these two gentlemen's Mississippi Valley Generating Company has turned into a political nightmare now that the AEC has been warned that it seems to have been illegal in the first place. To the Democrats, on the contrary, the Dixon-Yates affair is a Christmas gift which appears to substantiate their incessantly-repeated charges that Mr Eisenhower's government is inclined to put private enterprise before the public weal and that the Administration is riddled with self-interested businessmen.

The original Dixon-Yates contract, concluded in November, 1954, provided for the construction of a generating plant to supply electricity to the Tennessee Valley Authority to replace power being diverted to atomic installations. The Democrats denounced this scheme as an attempt to demolish the cherished TVA and as a sacrifice of the needs of rural users to the profits of private business. President Eisenhower cancelled the contract in July, since alternative arrangements made locally meant that the Dixon-Yates plant had become unnecessary. At first the AEC indicated that it felt it was liable to pay a cancellation fee. Last month, however, it reversed its position and the Dixon-Yates group then filed suit against the government, claiming \$3,534,778 in expenses. It may turn out, however, that for the government far more than this sum is at stake.

The AEC was advised that the contract was illegal because Mr Adolphe Wenzell, a vice president of the First Boston Corporation, was an unpaid consultant to the Budget Bureau on the Dixon-Yates question at the time when his firm became financial agent for the Dixon-Yates groups. This would constitute a violation of the "conflict of interest" statutes which bar anyone from officially advising the government on a matter with which he is privately concerned. Mr Wenzell has testified that the possibility of such a violation worried him and that he had been reassured by Mr Strauss, the chairman of the AEC. Before a congressional committee last week, however, Mr Strauss denied any knowledge of Mr Wenzell's double role. The matter will now go to the courts and the shadow of an accusation of perjury hangs over several of the parties involved. From being an instance of the conflict between publicly and privately financed hydro-electricity, the Dixon-Yates affair may become the *cause célèbre* of the businessman in government.

Christmas in the Money Market

THE Administration is feeling the squeeze of its own tight money policy. At the end of November it had to postpone the issue of a number of short-term housing loans because of the unusually high rates of interest prevailing. A little later it found, in connection with the \$12.2 billions' worth of government securities falling due on December 15th, that an unexpectedly high proportion of the holders wanted cash, even though the Treasury offered to refund the maturing issues on generous terms, well fitted to the current structure of short-term interest rates. This was explained by the general shortage of money for borrowing. To find the necessary cash the Treasury had to borrow \$500 million more than it had intended and it almost hit the ceiling of \$381 billion on the national debt. It was saved from bumping its head by the central bank's Open Market Committee, which supported the refunding by buying some of the new certificates offered by the Treasury in exchange for the maturing notes.

As a result it is being said, without any direct confirmation from the Federal Reserve authorities themselves, that the Open Market Committee has turned away from the policy of strict neutrality towards the Treasury's financing operations which was laid down in 1953. It remains to be seen whether there is any more to this change than a temporary willingness to follow Scrooge's example during the festive season. The committee had already, since the beginning of the month, been buying government securities in order to supply the banks with extra funds with which to meet the Christmas demand for ready money.

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Another and probably more permanent relaxation of credit restrictions has been in the housing field, where the Home Loan Bank Board is once more allowing the saving and loan associations which belong to it to borrow, in order to expand their mortgage lending; this had been forbidden since September. It is also expected that before long the maximum period during which government guaranteed mortgages can be repaid will return to thirty years; it was reduced to twenty-five last July. These concessions seem, in part at least, to be the result of complaints from politicians about the unfortunate effect such restrictions have had on the housing industry; in November new housing starts again declined more than is usual at this season, although the total still remained high in comparison with other years.

There is little evidence that the restrictions have had much effect on mortgage lending, which went up by \$4.4 billion in the third quarter of the year, a rise which had been exceeded only in the previous quarter. Nor does the squeeze on money seem to have had much influence on hire purchases and consumer borrowing, which continued to mount in October, although less sharply than during the earlier months of the year. Indeed, the most that can be said for the credit restraints is that they have prevented borrowing going up as fast as it might otherwise have done during the present boom. But the result has been to accumulate a backlog of demand for money which is likely to check the seasonal decline in lending which usually develops after Christmas.

The Music Makers

IN the next few days Christmas cantatas and arrangements from such seasonal scores as Mr Menotti's *Amahl and the Night Visitors* will most probably be included in concert programmes all over the United States. In more than 1,000 communities, moreover, the audience will be listening with mingled pleasure and civic pride to a symphony orchestra which they have helped establish and maintain. Where the United States possessed only ten symphony orchestras in 1900, it today supports more than 100 times that number and of these some 300 have been founded in the last four years alone. From Charleston, West Virginia, to Wichita, Kansas, and from Rochester, New York, to Chattanooga, Tennessee, symphonic ensembles and full-scale orchestras have been chiming and to many communities today a symphony is as important a symbol of prosperity and cultural achievement as was a clock tower in false Gothic at the close of the nineteenth century.

In a country where museums are excellent but widely scattered and where first-class drama is concentrated in one or two cities, live and recorded music has become the high-road to culture. This has been made possible, above all, by the generosity of private enterprise and it is as if today's American capitalists were trying to make good the neglect with which their European ancestors treated many of the great composers of the past. Most symphonic orchestras can cover only a small part of their annual budget by the direct sale of tickets; local firms and businessmen make up the difference—and their reward is a mention on the programme, a sense of civic achievement and, one hopes, enjoyment of the music.

Budgets vary widely: thirty-one major orchestras will spend some \$15 million this year. The Dallas Symphony, a truly distinguished group, has an annual budget of \$300,000, whereas the Atlanta, Georgia, orchestra requires only a third as much. But whatever the figure, business funds are playing an increasing role in meeting it: in Minneapolis last year firms contributed \$135,000; in Rochester, the Eastman Kodak Company handed the orchestra \$100,000 to erase past deficits; 120 business houses banded together to bring symphonic music to Chattanooga. The orchestras, in turn, are taught by the American Symphony Orchestra League Incorporated how they should use the money, how they can increase the participation of the community in their affairs and just how to treat the demands of visiting virtuosos. Little wonder, therefore, if players rise at the close of their Christmas concerts, turn to their patrons and intone "God rest ye merry, gentlemen."

President Hagerty

Gettysburg, Pennsylvania.

IN a basement annex of Gettysburg's one hotel Mr James Hagerty, the President's clever and highly regarded Press Secretary, is presiding over a fascinating operation. The sheer electronic magic that has taken place in this

small town is impressive. Even before Mr Eisenhower had arrived to convalesce at his lovely farm three miles south of Gettysburg, buildings began to sprout a forest of antennae, while in the basement of the annex a swarm of technicians installed telegraphing machines, wirephoto equipment and radio gadgets. With their help Mr Hagerty can address the thirty-odd press and wireless representatives, who are covering this temporary capital, by microphone twice daily. He has arranged for a full transcription of the briefings and the subsequent question periods to be available shortly after they end. One result has been that a deluge of verbiage about the President pours out of Gettysburg almost each day, much of it reaching front pages all over the United States.

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This in itself is fascinating, for the amount of really useful news that emerges is minimal. The President meets someone or travels to his mountain headquarters, Camp David, 25 miles away, between Gettysburg and Washington, to confer with the Cabinet or the National Security Council. Nothing is announced of what was decided, and sometimes not even of what was discussed. But somehow, Mr Hagerty, with the aid of the nation's editors, makes it all seem terribly exciting. On those days when absolutely nothing happens at Gettysburg, Mr Hagerty has shown a genius for filling in the gaps. One Sunday he even arranged a visit to the Eisenhower farm, which is normally out of bounds to the press, for the presentation of a new tractor to the proud squire. Monday's papers, confronted with the usual dearth of news, blossomed with pictures of a grinning, and presumably healthy, President inspecting his new machine.

The President spends his mornings in a small office in the local post office but his staff stays in Washington which is only 25 minutes away by helicopter. This too furthers Mr Hagerty's purpose, which is to make news about the President. Each visit from someone in the President's entourage, let alone a Cabinet member, becomes a legitimate occasion for a speculative story on what Mr Eisenhower is discussing and, presumably, deciding that day. For example, the Secretary of Defence arrived one day with the Director of the Budget to discuss defence expenditure for next year. Had the President been in Washington this would have been a routine affair. Moreover, nothing new emerged from the meeting. But, with appropriate pictures, the story received attention comparable in some papers to that bestowed on the threatened war in Palestine.

The traditionally cynical reporters stationed at Gettysburg scarcely blame Mr Hagerty for "using" them but do feel that the entire operation, built on the sound conviction of editors that people want to read about the President, is calculated to convey the impression that Mr Eisenhower has resumed full control of the government. Whether it is the truth or not, Mr Hagerty has wanted to make it seem so. With the aid of geography and the editors, he has succeeded brilliantly.

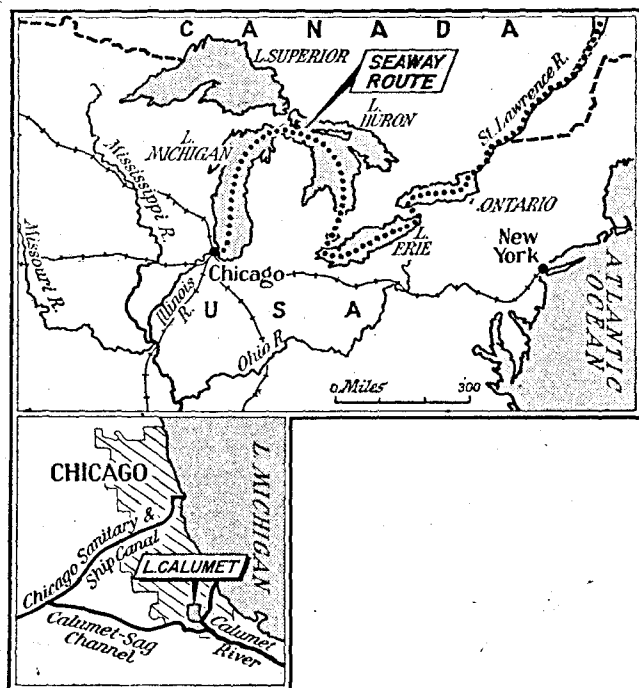
But a change of pace set in, after the President's doctors suggested on December 10th that he might be overworking. Now that the word is "rest," Mr Hagerty's operation has slowed to a circumspect crawl, for he would scarcely like to create the impression that the Administration is putting too great a strain on its chief. This has given the little corps of journalists from Washington more time to absorb the deeply historical aura of Gettysburg itself.

Destiny's Ditch

FROM A CORRESPONDENT IN CHICAGO

AS the principal transfer point between the St Lawrence Seaway and the Mississippi Waterway to the Gulf of Mexico, Chicago is hoping to become one of the great ports of the world. City leaders have a vision of a harbour that will handle the vast agricultural and industrial trade of the Midwest; and they see 15,000 acres of additional lands in the harbour area being used for industrial development and thus creating 600,000 new jobs. The realisation of this bright future depends on three waterway projects which are expected to be completed by 1960. They are the St Lawrence Deep Seaway, Chicago's Lake Calumet Harbour and the Cal-Sag channel.

Of most immediate concern to Chicago is the development of Lake Calumet and the Cal-Sag channel, or "Destiny's Ditch," as it is known in maritime circles.



Since much of Chicago's famous lake-front has been devoted to recreational activities, the sheltered harbour of Lake Calumet, 20 miles south of the city's business section, was designated for port development; it was connected to Lake Michigan by a 6-mile stream. The Lake Calumet site, moreover, is near one of the world's great centres of steel and heavy industry around the southern tip of the lake.

Improvements to this harbour will cost \$24 million; they include dredging to accommodate larger ocean-going vessels, and the construction of new docks, grain elevators and transit sheds. Calumet will be served by more than a score of trunk line railways reaching out to the entire Midwest and by two major highways for lorries. Its transit sheds and storage units with their mechanised handling installations will permit the rapid transfer of freight between incoming trains and lorries and the waiting ships.

But to achieve the most economical communication with the markets of the Midwest, which account for 40 per

cent of America's foreign trade, it will be necessary to use barges on the Cal-Sag channel, which leads from Lake Calumet harbour to the Mississippi Waterway. In order to eliminate a narrow bottle-neck, work has been started on the widening of this channel to 225 feet at a cost of \$102 million; this cost will be borne largely by the federal government. When it is completed, multiple tow barges with ten to fourteen units each will transport fuels, grain, chemicals, ores and finished products at cheap rates.

But the railways, aware of their difficult competitive position, are insisting that toll charges be imposed on the barge carriers so that the cost of the waterway projects will be placed on a self-liquidating basis. Barge line officials are naturally vigorously opposed to such charges, which would drive up the cost of the services. They accuse the railroads of being shortsighted and remind them of the tremendous traffic brought to them by barges in the past. Shipowners argue that the natural growth of the area, which is expected to increase shipments in the Cal-Sag channel alone from the present four million tons annually to more than nine million tons by 1960, will provide more revenue. The issue is still undecided, but the barge lines appear to have a slight advantage.

Chicago has already been making some modest bids to handle an increasing portion of America's foreign trade through its port. Approximately 300 European ships, of 2,000 tons or less, have called at Chicago this year. In 1954, the port handled exports of 96,350 tons and imports amounting to 69,095 tons. These totals, however, are expected to increase greatly when the St Lawrence Seaway makes it possible for ocean-going merchant ships of up to 10,000 tons to berth at Lake Calumet harbour. Shippers will then take advantage of the greater economies offered by a shorter, all-water route to north European ports. Liverpool, for example, will be 168 miles closer by this route than by the combined rail and water route via New York. Exporters will then save 17 per cent on automobiles shipped to Rotterdam and nearly 25 per cent when shipping a tractor to Sweden, while the cost of bringing jams from Britain will be 10 per cent less, and on Scotch whisky the saving will be 24 per cent.

In its struggle with New York for the dominant commercial position among American cities, Chicago has never been able to match the shipping facilities which have given its eastern rival pride of place. Chicago has watched New York flaunt the skyscraper before the world as its symbol, remembering that the first experiments in this type of construction were made on the shores of Lake Michigan. Now, with a port development of its own of international scope, Chicago feels it has another round with destiny, and this time the dice might roll westward.

SHORTER NOTE

Wheat, maize, rice and dry beans have been added to the commodities which may be released from the government's surplus stocks to be given away abroad by relief agencies. Hitherto this programme has applied only to perishable commodities and leaders of church and other welfare organisations have long been pressing for its extension. The actual amounts that they expect to be able to handle during the coming year is only about 14 million bushels—very little compared with the large surpluses the government holds.

The World Overseas

Assembly Line Jammed

TEN, many parents say, is a difficult age for growing youngsters. The Assembly of the United Nations has certainly made no easy transition into its second decade. The tenth General Assembly scrambled to an undignified closure this week just in time for those of its members who enjoy turkey and plum pudding to get to the table, but leaving them little opportunity for Christmas shopping. Heartening valedictions were uttered, as usual, but few among the jaded delegates can have felt that the debates that had occupied them since September had served much purpose.

They had, admittedly, at last managed to enlarge their club, adding sixteen new members to the former sixty. This particular "spirit of 76" was, however, sullied by the surrounding atmosphere, and especially by the last-minute obstruction of Japan's entry (which is further discussed on page 1093). The Chinese Nationalists, wielding their vestigial veto like a fool's bladder, led several previously friendly delegates to reflect that the sooner this weapon was taken gently but firmly away from them the better. Mr Lester Pearson's delicate balancing of eighteen candidates on the point of a needle was disrupted. Russia's tally of vetoes reached 77 just as Uno's membership rose to 76. Nevertheless the sixteen fortunate candidates, ranging from the Irish Republic to Laos by way of Portugal, Hungary, Jordan and Ceylon, were in; and representatives of most of them slipped into their seats in time to vote on an even more vexed question—the filling of the Security Council seat which Turkey will vacate at the New Year.

The Assembly's inability to decide this simpler issue had already been more damaging to its reputation than the horse-trading over new members. Three dozen ballots had given neither Yugoslavia nor the Philippines the two-thirds majority required. The president of this year's Assembly, Sr Maza, had made the suggestion—no less undignified than all the vain voting, and much more practical—that he should draw lots between them, on the understanding that the winner would yield the seat to the loser halfway through the two-year term. The candidates were willing, but at first the Assembly, racked with tantrums, was not. Meanwhile the new members moved in, and promptly discomfited the many prophets who had announced that an enlarged membership would automatically increase the "anti-American" vote, by giving the Philippines a lead of twelve votes. Finally, on Tuesday, the Assembly accepted the result of Sr Maza's lucky dip, voted Yugoslavia in, and scurried home.

The cynic may well ask whether it greatly matters who

sits on a Security Council that has reminded the world of its ineffectiveness so vividly in recent weeks by issuing vain appeals to scuffling Arabs and Israelis. But in the Assembly's cloistered halls, the air so efficiently kept free from bacteria and city dust is all the thicker with illusions; and delegates will fight like tiger cats over the phrasing of a resolution which is most unlikely to have the slightest effect, or even to attract attention, in the real world outside the glass. This phenomenon has been unusually marked at the Assembly of 1955, whose long Odyssey through a sea of paper has passed almost unnoticed, except when its pronouncements aroused anger or derision.

It has been particularly sad to see this happen, for this Assembly set sail in fair weather, with the "summit" sunshine still warm enough to prevent its opening debate from becoming a slanging match, and in the comforting afterglow of the "atoms for peace" exhibition, held at Geneva in the previous month under UN auspices. Peaceful atomic co-operation, and new disarmament projects such as Mr Eisenhower's aerial inspection offer, looked like promising material for constructive debate. There were, admittedly, pessimists who foretold from the start—and rightly—that Mr Molotov's encounter with his fellow foreign ministers at the end of October would set the barometer back to the "stormy" position. But the Assembly had a clear month's start on the foreign ministers, and might have made some useful hay before the summer sun went down.

Instead, it drew a cloud over itself at the start by insisting on its right to debate Algeria, and so provoking a French walkout. In late November, it coaxed France back again by resolving without a division that it was "no longer seized" of the undebated item on Algeria—a compromise for which Mr Krishna Menon had worked tirelessly among Arab and Asian delegates. The South Africans, who walked out in November, were not, however, lured back to their seats—but in their absence, paradoxically enough, the UN commission investigating *apartheid* was extinguished by the failure of a motion to extend its life. A debate on the abstract right of self-determination for all peoples kindled much heat without casting any light. Familiar formulae, or subjects ranging from Korea to the granting of financial aid to poor countries, were adopted with the familiar feeling that they would alter nothing. The plan for an international "atoms for peace" agency was adopted, but in an atmosphere vitiated by Russian objections; the disarmament debates ended with a resolution, carried in committee by 53 votes to the Soviet five, commending the Eisenhower inspection plan as a valuable first objective, but the Russians

made it clear that they were as uninterested as ever; unanimity was, however, achieved over a project for the investigation of the effects of atomic radiation.

Good sense reared its head here and there. Indonesia decided to take the New Guinea question away and discuss it privately with the Dutch. Despite some voluble but obscure protests from Liberia, the Assembly endorsed its own mission's proposal that the people of British Togoland should decide their future by plebiscite next spring; only the Soviet bloc votes were cast against this experiment in self-determination. And the much discussed project for revision of the UN Charter eventually took the diaphanous shape of the appointment of a committee to consider how and where a conference might some day be held to discuss the advisability of a review of the Charter. The Soviet bloc, with the engaging ferocity of a man tearing up a newspaper article of which he does not approve, solemnly declared that it would boycott even this timorous undertaking. The Russians proclaimed, in the manner of Dr Pangloss, that the Charter was the best of all possible Charters, and required no amendment. (This was a few days before Mr Khrushchev had told India that it should be seated among the great powers, and that only imperialist intrigues prevented it from being so seated.)

It is certainly difficult to see how any improvement in the Charter can be seriously contemplated as long as any proposal in that direction is doomed to run into a Soviet veto. There is, moreover, little enthusiasm for revision among any of the major powers at present. But the increase in Uno's membership undoubtedly makes it more difficult to describe a Security Council of the present size as adequately representative, or an Assembly of the present cumbrous character as efficient. Certain stirrings in the undergrowth suggest that an effort may yet be made to tackle specific problems of this kind without recourse to a full-scale conference on Charter revision as a whole. And it may be hoped that one of the aims of this will be to relate the Assembly's duration and cost rather more closely to its effectiveness.

Jordan under Pressure

FROM OUR CORRESPONDENT IN CAIRO

THE political pressures of the Arab world fall so heavily on troubled Jordan that it has little choice but to cower in neutrality between Egypt and Iraq. Geographically, it is in the triangle of the bilateral pacts extended by Egypt to Syria and Saudi Arabia, but economically it lives on British money and Britain supports the Iraqi defence policy.

In terms of popular sentiment, Jordan is almost certainly with Egypt and Syria and against Iraq on the defence issue. It is this sentiment which has been roused in protest against the mission of General Sir Gerald Templer. First reports of public disturbances were grossly exaggerated, but there can be little question that the proposal to join the Baghdad pact was not favoured by the people. In a small country obsessed by fears of Israel, it was inevitable that an arrangement which is part of the western defences against Soviet Russia should have little appeal beside the Egyptian-Syrian alliance which is primarily directed

against Israel. It is widely admitted in Jordan that the country's security largely depends on the Anglo-Jordanian treaty, but that is as far as the people desire to go with the West, which is far from being trusted otherwise to sustain the Arabs against the Jews. For Britain to strengthen the Arab League is one thing. For Jordan to join a system which drives a wedge between it and Egypt is another; and Colonel Nasser's policy, with his Czech arms deal and his ultimatum to Israel, is the policy that most Jordanians want in their hearts, even if their minds boggle at the risks involved.

It was known in Damascus, Beirut and Cairo that Said el-Mufti's government could not survive a move to join the Turco-Iraqi pact. He expressed himself in private in a manner which showed him to be right in the middle of the road, convinced that Jordan's security against Israel depended on Britain but that nothing should be done to impede the evolution of Egypt's policy. He is reported to believe that Egyptian forces should have the right of transit through Jordan to Syria if that became necessary, an arrangement which would have involved Jordan in any



troubles arising from the Syrian-Egyptian defence agreement. This suggests a sympathy for the agreement even though he refused to offend Iraq by agreeing to join Egypt's bilateral pact system.

Some political elements in Jordan want to join the Baghdad pact on condition that sufficient guarantees are given against danger from Israel, and that economic contributions are made to Jordan's own defence system. These elements are opposed to a commitment to Egypt because they regard the oil revenues of Iraq as the one potential source of assistance that could reduce the country's dependence on Britain. As this policy is most strongly supported in the Court, notably by Fawzi el-Mulki, the Court Minister and Bolijat Talhouni, the Chief of the Royal Cabinet, there was good reason to think that it could be accepted. The fact that Hazza Majali, who also holds these views, was ready to form a government suggested that it was still believed that the policy would prevail. His resignation, however, and the dissolution of parliament, have thrown the whole issue into the melting pot.

The outright opposition against this policy comes from the Ba'ath party, elements of the National party led by Soliman Nabulsi, and, naturally, the Communists. They are not of much consequence in the political structure of Jordan but their capacity for making trouble on this issue is clearly enhanced by popular sentiment. In circumstances such as these, Jordan would normally turn to a strong prime minister such as Tewfik Aboul Huda or Samir el-Rifae, but

these lean towards Egyptian policies and are at best neutral in any conflict of policy between Cairo and Baghdad. They have been useful in the past because they are right-wing politicians strongly opposed to the extremists and not averse to using the strong hand against Communists or fellow-travellers. But they are of no value in this situation.

If King Hussein is prepared to go ahead with the policy, it would be possible for a strong government to carry it through. The Majali sector of opinion urges that British aid should be a direct contribution to the Jordan exchequer and not to the Arab Legion, and that the Legion should be commanded by a Jordanian instead of Glubb Pasha. This would mean a revision of the Anglo-Jordanian Treaty. Nevertheless, if concessions of this nature could be offered it may be that the policy could eventually succeed.

Whether it is wise to press the issue now is as much a question for Britain as for King Hussein and his advisers. Whatever the military benefits for Britain and the "upper tier" defence system of Jordan's adhesion to it, there would also be political disadvantages, since the Arab peoples, most of all the Jordanians, would believe that Britain imposed the decision on the King—and at a time when Russia and its satellites are offering arms and economic aid "unconditionally" and "purely commercially." Nor would Jordan's adhesion influence other Arab states; rather would it harden the division in the Arab world.

The neutralism of the older politicians in Jordan expresses the general condition of the Arab world. If, as a result of western aid for Egypt's High Dam and initiatives in regard to Israel, Britain's prestige rises again and Russia's declines, it will no longer be necessary for Jordan to be neutral between Iraq and Egypt, the two countries which represent the conflict over relations with the West. To press the issue on Jordan now is like selling Britain on a low market and presuming that its stock will not rise for a long time.

Indian Afterthoughts

FROM OUR CORRESPONDENT IN INDIA

THE Russians came. The Russians were rude. India is still neutral. The real victory of Moscow has been won not in Delhi but in Washington. And the victory has been won at India's expense. The effect of the Russians on India's masses was small; as one minister put it: "Everyone likes to see a circus, but nobody wants the elephants"; and the more Mr Khrushchev attacked colonialism, Western imperialism and Western warmongering, the more Indians, including Mr Nehru, felt uncomfortable. It is no accident that Mr Nehru reiterated his beliefs in ends never justifying the means both in Calcutta, under Marshal Bulganin's very beard, and in Madras while the Russian team was in Burma. Indeed, most significant of all is the special affection Mr Nehru expressed for the Commonwealth in the parliamentary debate on the Indian Citizenship Bill—a debate which was pushed forward by a full week, as if in answer to Russian mud-slinging at the West.

Russia's support for India's case over Kashmir has not been received with unqualified enthusiasm. India is naturally pleased to see somebody big on its side, particularly somebody on the Security Council, but since India is officially still committed to holding a plebiscite one day,

its pleasure is not increased by the inevitable effect in Karachi of Russia's vicarious declaration of cold war. India had not planned the visit to Kashmir and the price of the ticket is high: a Pakistan clinging fervently to the lifebelt of the Baghdad Pact.

Even over Goa, Russia's support has been a curse in disguise—this time thanks to American ineptitude. It certainly pleased every Indian to have a big power recognise Goa as part of India, but recognition of India's stand has not altered the fact that Goa is not yet part of India. Mr Nehru has restated, after Mr Khrushchev's speech, that India would not resort to force. The West, it is felt here, does not appreciate the amount of self-imposed restraint that not taking Goa represents. Indians know that they can walk into Goa, that nobody will interfere; most Indians want a police action. Mr Nehru, however, is sticking out for those principles of negotiation and peaceful means he so freely preaches to others, not because departing from them would lose India face—Mr Nehru is too cynical not to have learnt the lesson of Hyderabad—but because his example might be followed by others, at the risk of starting a third world war. So, when Mr Dulles fell straight into the Russian trap by seeming to back Portugal's position in Goa, India exploded with emotion. Had there been no Russian visit, Mr Nehru would have lashed out at America; but in present circumstances he does not want to allow even Mr Dulles' gaffes to tilt his neutrality into becoming anti-American. So Mr Nehru, for once, has said nothing beyond informing parliament that he was inquiring into the matter through diplomatic channels. But Mr Dulles has been worth more than ten Khrushchevs in Moscow's wooing of India. India is allergic to the hammer speech techniques, and Mr Khrushchev had gone much too far; Mr Dulles, however, using the most cautious and polite language, has drawn much more fire.

Mr Nehru's Dotted Line

To Indians it seems that the Americans are making a totally disproportionate amount of fuss about the visit. As seen from India, the reason for the disproportion is that there is between the Indians and the Americans a deep disagreement on how to deal with, and contain, the Russians. Mr Nehru says that bad though the Russians may be, one must befriend them in the hope of making them better, and one must never criticise them directly because that would make them shy and unresponsive. On the other hand the Americans say: Russia is bad and to treat it as if it were good is monstrous, what is needed is a moral boycott of the bad so that badness cannot spread. From Delhi it appears that America has entered into a crusade for the moral even more than the strategic encirclement of Russia. Delhi, on the other hand, sees itself as working for a moral *détente* even more than a neutral belt around Russia. Each country sees in the other's methods an insufferable challenge to its own most treasured beliefs.

What the Russian visit has achieved is not to swerve India from its neutrality, but to bring this fundamental disagreement between India and America once more into the open. And, in a way, that could become serious. Thus most Indians regard the joint communiqué issued at the end of the visit as a document in which the Russians have signed on Mr Nehru's dotted line. They have been correspondingly astonished that the Americans have been reported to take it to imply that India has leaned over to Russia's side.

It is too early to say what the final result of the Russian visit will be. The crowds, the cheering and the insults will be forgotten. Russia will now be judged on how it behaves, on the friendliness it shows and the help it gives. It began well by accepting India as a great country and not lecturing Indians on what they ought to do in their own interests. It has followed that up by letting twelve non-Communist nations into the United Nations, on Mr Nehru's plea, and agreeing to supply one million tons of the steel India needs so badly and cannot buy elsewhere. But, by becoming real and known, instead of vague and remote, the Russians have entered into a competition, a competition in friendliness, help and freedom that the West should have no difficulty in winning. The Russian visit can only be a real success if the Americans scratch because the Russians have entered.

Finland's Wider Windows

BY A CORRESPONDENT LATELY IN FINLAND

THE last months of this year have been eventful ones for Finland. The Russian base at Porkkala is being evacuated, and Finland has secured entry to the United Nations and the Nordic Council. The exact date for the formal handing over of Porkkala has still to be announced, but there is already considerable speculation about what will be found there. In the past, it has been suggested that the Russians were installing everything from rocket launching sites to local radio jamming stations, but recent indications are that nothing more spectacular than an airfield, the remains of a submarine base, some barracks and a casino will be left behind. The Finns have just been given their first chance to get a glimpse of what really is now to be found in Porkkala, since from last Thursday the Russians have dropped their insistence that all Finnish trains running through the base should have shuttered windows.

The Finnish government committee appointed to study the problems of taking over the area has let it be known that it will be spring before the former inhabitants, who numbered over 7,000, are allowed to return. When they had to evacuate their homes and farms, the Finnish government offered them compensation which most, though not all, accepted. In spite of this, however, their moral right to their former property has been recognised, although the legal and financial terms on which it will be returned have still to be defined. One airfield and some barracks, on former farmland, will probably be left intact by the Russians and these the Finnish government may wish to retain.

There will inevitably be some individual hardship, or, at least, disappointment, for the many delightful summer villas in the area will hardly have been maintained up to Finnish standards during the eleven years of occupation. Nevertheless, there is deep satisfaction that this part of Finland is again Finnish. When the first news of the return reached Helsinki, there were some fears that a price higher than that of the extension for twenty years of the 1948 Treaty might be demanded. There were rumours, for example, of pressure on Finland to recognise the East German government. It turned out, however, that Russia was ready to give up the base without demanding such concessions.

Although the most spectacular, this is not the only recent example of Russian magnanimity towards Finland. In the

past, the Soviet government has reacted strongly through the press and radio against any suggestion that Finland should link itself more closely with its northern neighbours, even for the most peaceful purposes. But soon after the return of President Paasikivi and the Prime Minister, Mr Kekkonen, from Moscow, the latter revealed that the question of Finland joining the Nordic Council had been amicably discussed there, and he recommended that Finland should seek membership. The Diet unanimously approved, and when the Council meets in January, a Finnish delegation, representing all parties in the Diet, including, of course, the Communists, will be present. The effect of this will be to strengthen Sweden's neutral voice in the Council. Indeed, Russia's whole policy of good-neighbourliness towards Finland has an effect in Sweden, which is always sensitive to changes of pressure on Finland. Russian policy seems to be designed to create confidence in Finland, and in the North generally, by establishing relations on, to quote a phrase used by President Paasikivi, "a sensible and matter of fact basis."

From the Finnish point of view, these recent events have been proof of the rightness of the "Paasikivi line" in foreign policy. This has been to establish good relations with Russia by the scrupulous observance of obligations, but at the same time to avoid all subservience in internal affairs, and to maintain trade and cultural ties with the West. This has often demanded a cool head in the management of Finnish affairs, and membership of the United Nations, although welcome, will obviously bring new problems.

Mr Diem and Democracy

WHEN nearly six million Southern Vietnamese voted last October to depose Bao Dai as chief of state, they gave the new President of the Republic, Ngo Dinh Diem, a mandate to "establish a democratic regime." It is still too early to reproach him with not having fully established "democracy"; but the latest actions of his government do not encourage the hope that democracy—in the western sense—is among its objectives. Some of these actions appear at first sight to be merely part of his untiring anti-French campaign, but when put together with other actions affecting Vietnamese nationals, they take the shape of a general policy of authoritarian rule.

The expulsion in November of two well-known French newspaper correspondents—Lucien Bodard of *France-Soir* and Max Clos of *Le Monde*—was thus not merely an anti-French gesture, but also an expression of this general policy. Both M. Bodard and M. Clos, who had lived in Saigon for many years, were expelled after they had paid a short visit to Hanoi, and in each case after they had declared their intention of leaving Saigon, where official opposition made it difficult for them to do their work. The Vietnamese government rejected a strong protest by other foreign correspondents and added that it had no need to give reasons when expelling a journalist.

Repressive measures have also been taken against the Vietnamese press, already closely censored. Last month, the newspaper *Anh Sang* ("Light") the last "Cochinchinese" organ in the south, was closed down, ostensibly because it had changed its editor without official permission. On

December 9th, the weekly *Cai Tao* ("Reform") was suspended. Early this month, the government passed a decree banning all independent radio stations. This was aimed not only at the French-owned *Radio France-Asie*, and the French army post *Radio-Hirondelle*, but also at the various Vietnamese anti-government stations, most of which, however, operate from clandestine quarters.

The government has, for some months, been announcing at intervals that general elections would be held in the south before the end of the year. There is now little doubt that these elections will indeed be held, but probably not until next February or at the end of January. On November 28th, President Diem signed a decree setting up a committee charged with planning a constitution. The committee, which is now functioning, has not yet disclosed its deliberations, but the majority of its members are said to favour a one-chamber legislature, with a separation of legislative and executive powers.

As for the elections, only pro-government parties have been allowed to campaign so far. These include the Rally of Citizens, a party formed in November, 1954; the Party for the Dignity of Workers, a kind of Christian Democratic group controlled by Mr Diem's brother and principal adviser, Ngo Dinh Nhu; and the Movement of the National Revolution, of which Mr Nhu is also a co-leader. Opposition parties are either banned, like the old nationalist party Dai Viet, or barely tolerated, like the new Republican Party of Dr Phan Huy Dan.

Clash with the Church

Mr Diem's methods have certainly gained him much vocal support; and indeed, in the face of continuing armed insurrections in the south-west and centre, there may be little possibility of uniting southern Vietnam by democratic methods. It would be naïve to expect Mr Diem to subject his administration to the whims of a sovereign chamber. But public discussion in an elected assembly could do much to moderate the tendency towards extremism.

If some of Mr Diem's methods are at least understandable, it is harder for an outside observer to admit the necessity of his recent clash with the Roman Catholic Church—a body with which public opinion expects him to be on good terms. By opposing the nomination of Monsignor Nguyen Van Tien as Bishop of Saigon, on the ground that he was "pro-French," Mr Diem undoubtedly created for himself an unnecessary source of opposition. That he feels strongly about the matter was demonstrated by the fact that he sent two of his brothers, Bishop Ngo Dinh Tuc of Vinh Long, and Mr Ngo Dinh Luyen, his roving ambassador, to the Vatican with orders to try to persuade the Holy See to rescind the nomination. The Pope, however, stood firm and Bishop Tien was duly consecrated in Saigon on November 30th. President Diem refused to attend the ceremony, although he had been invited, and ordered invitations to the diplomatic corps in Saigon to be intercepted. Since then Mr Diem has recognised Monsignor Tien as Apostolic Vicar of Saigon, and has himself been recognised by the Vatican as President of Vietnam.

The Tien episode may have the merit, in the eyes of the Diem family, of demonstrating that they are not "puppets." But it may be doubted whether the benefits of asserting their independence in this way will offset, in the long run, the injury to their reputation among influential supporters in the United States.

"Thoughtcrime" in Budapest

THERE has been serious trouble in Hungarian literary circles. It had evidently been simmering for some time, and came to a head over a month ago at a stormy meeting of the writers' association in Budapest; but it was only made public when the latest issue of the writers' official organ, *Irodalmi Ujsag*, published a stern resolution of the central committee of the Communist party against "right-deviationist manifestations in literature." From this it appears that at the Budapest meeting a number of writers made an organised revolt against the interference of the party in literary matters. Some resigned ostentatiously from the presidium of the writers' union, thus "breaking the elementary requirements of party discipline." Others drew up a memorandum which is said to be a "frontal attack" against party and state leadership, and actually went round collecting signatures for it from amongst party members. This was certainly carrying things rather far; it is one thing to have collective leadership of the party, but quite another to have collective action against the leadership by the led.

The whole affair was plainly a reflection of the struggle within the party between the supporters and opponents of Mr Rakosi, but it is hard to say whether it has any serious political implications. There were, rather surprisingly, some tried and trusted Communist writers among the leaders of the revolt. But whether they were really as black (from a Communist point of view) as they were painted may be doubted; in these internal party struggles it is usually considered advisable that those who lose should be hung from the highest possible gallows. It is possible that these men, who under the Nagy regime had enjoyed some illusion that they had minds and souls of their own, simply felt that Mr Rakosi's new intensification of mental restrictions was more than they could take. But to Mr Rakosi such an attitude is a political crime, not just an ebullition of the artistic temperament, and it will no doubt confirm him in his attitude that it was a cardinal error ever to give the artistic gentlemen their head at all.

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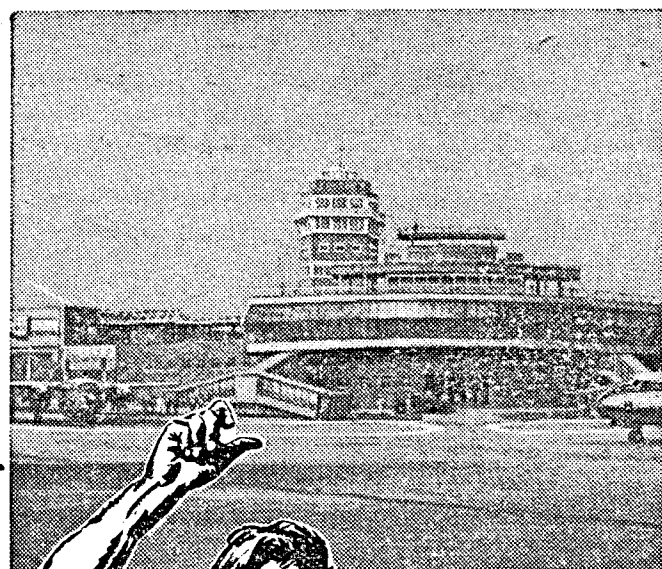
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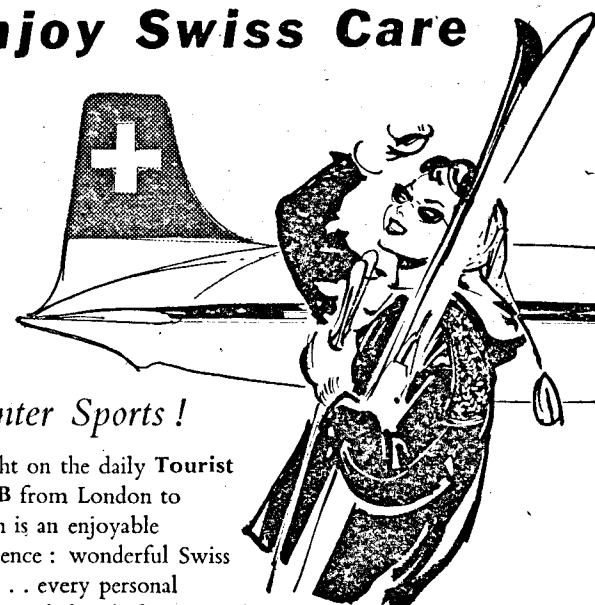
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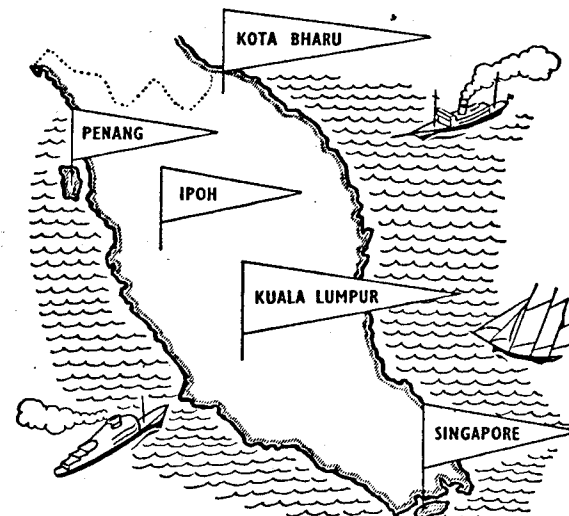
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THE BUSINESS WORLD

What Do Airports Cost?

ON the day that the Queen officially opened London Airport, the Select Committee on Estimates published a 300-page report on the general administration of the civil airfields under the control of the government. This is the first time that the taxpayer has been given the detailed facts on how much airports cost to run—whether a major international airport like London or a minute airport like Machrihanish. The Ministry's airports do not publish separate trading accounts; indeed, the Ministry of Transport and Civil Aviation does not, even for its own internal purposes, record more than the day-to-day running expenses and gross capital outlay on the 30 civil airports under its control. Allowing for interest on capital invested and for the cost of administration, the committee estimated that these 30 airports fail to meet their outgoings by about £6 million a year.

The airlines that carry passengers to Britain are getting an essential service, without which they could not fly, at roughly one-quarter of the true cost—airport revenue being £2.3 million against outgoings of £8 million all told—and the rest is being made good by the taxpayer. In a strictly literal sense, this amounts to a concealed subsidy for civil air transport, domestic and foreign; the deficit is not budgeted for in the accounts and estimates presented to Parliament. When the Select Committee began to take evidence last March, it seemed simple enough to suggest that charges at the airports should be raised to an economic level. Parliament had made provision to make good any trading losses of the two nationalised British air corporations; and indeed any government aid that they receive should be in the form of an open subsidy.

As the hearings went on, the committee began to understand why so many of the witnesses who were questioned appeared to regard the country's airports more as a public service than as trading concerns. For this attitude the airlines themselves are largely

responsible. They are forceful negotiators, conscious of the huge scale of their operations and since they operate within a framework of fixed fares that are not easily altered, they keep on guard against anything that might raise their operating costs. They pay the airport a landing fee calculated on the weight of the aircraft wherever it touches down, but no fee on taking off. They also pay parking fees for aircraft, and rent for hangar and office accommodation. For this, the airport authorities provide runways of adequate length and strength; lights and navigational aids; radio services to guide the pilots; radar systems of varying elaborateness; terminal buildings for passengers; Customs buildings; car parks; restaurants and staff canteens; hangars and maintenance areas. Constant improvement and modernisation are needed to keep these services up to standard, but the airlines strongly resist any increase in charges. When the lives and safety of passengers are so directly involved, no major airport dare skimp on technical expenditure. The result of this dual pressure to improve airport services and at the same time to maintain the level of airport charges is that, despite the steady increase in air traffic, British airports are still well in the red.

The present scale of landing fees was laid down in 1948. It is based on 5 per cent of the revenue that would be earned by each specific type of aircraft, assuming that it was two-thirds full. There are rebates for aircraft flying only short distances and surcharges on long flights. Receipts from landing fees amounted to £850,000 in 1954-55 and are expected to bring in almost £1 million during the current financial year. This sum covers the costs directly involved in the take-off and landing of aircraft with a little to spare.

But although landing fees cover the cost of handling the aircraft at the airports, they do not cover the cost of handling the aircraft's passengers. To cover these expensive people would have needed a 50 per cent

increase in landing fees; any such move was strongly opposed by the airlines, who argued that London's fees were already the highest in the world and that if they were increased, other countries would follow suit and traffic would by-pass London. This argument did not impress the Select Committee, whose researches revealed that the cost of night landings with the runway lights operating was substantially lower in London than in most European airports. The Select Committee was sceptical about the influence of London's landing fees on those of other countries, or on the airlines that fly to London, and concluded that the Ministry's policy was rather too soft on the airlines and hard on the taxpayer.

The device that was ultimately used by the Ministry to bring in more income was the unpopular passenger charge, a levy of 5s. on every passenger leaving the country. This is yielding just short of £300,000 a year and is intended to make a contribution towards the cost of handling passengers. The charge was introduced in 1952, and the Ministry believed that the airlines would immediately add it to the cost of their tickets. But the airlines could not add to their standard fares at will, for these matters are decided by the International Air Transport Association. Equally, they had no intention of paying the 5s. from their own pockets. So the puzzled passengers found themselves buying a ticket, and then being asked at the start of their journey for the Ministry's 5s. It has taken nearly three years to persuade the airlines to collect this charge when they sell the ticket—for which service, incidentally, the Ministry pays them a fee. For rents and services to its tenants, the Ministry expects to get in about £1.3 million during this financial year, and a further £160,000 from the lease of concessions and from the public enclosure. Both these figures are a deal higher than those for the current year.

Witnesses told the committee that the difficulty of running an airport on business lines was that the facilities had to be provided whether or not the traffic was there. The committee's members wondered what

steps had therefore been taken to attract traffic, and were told that this was not regarded as one of the functions of running an airport. Sir Gilmour Jenkins, the Permanent Secretary to the Ministry of Transport and Civil Aviation, summarised this attitude neatly when he said: "The aerodrome must be the servant of air policy, I think. . . . It is not the policy of this Government or of its predecessors to try to attract as many aircraft of foreign lines as is possible to London Airport for the purpose of making London Airport self-supporting." This has not, however, been the view of those responsible for running Manchester's municipally-owned airport. Manchester's vigorous drive for traffic, foreign or British, has sometimes provoked the British operators, but the traffic has gone up from 65,000 passengers in 1948 to 265,000 last year. The airport still costs Manchester £36,000 this year and a probable £50,000 next year, the equivalent of a 1½d. rate.

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The responsibility for providing airport facilities, and for making the right guesses about the airlines' future needs, is onerous. London airport is a textbook case. By the time the first stage is complete, £26 million will have been spent at Heathrow, which is considerably more than the original estimate. For this sum, the Ministry will have provided a star-shaped network of intersecting runways and technical services capable of sending off 30 aircraft an hour. In the centre of the star will be a group of terminal buildings which will really cater only for the short-distance European traffic that came to London when Northolt was closed to civil traffic. Long-distance passengers, queueing in crocodile through the huts on the north-east side, are as far as they have ever been from being properly accommodated. It is ironic that the air passenger who spends least on his ticket gets the most luxurious reception at London airport. Plans for buildings for long-distance passengers are only now being discussed

AIRPORT COSTS, 1954-55

	Running Costs (excluding Technical Services)	Technical Services	Revenue	Net Operating Costs	Capital Expenditure to 31st March, 1955	Interest on Capital at a notional 4%*	Future Capital Programme	Passengers	Freight (short tons)	Staff
Airports in London Area:	£	£	£	£	£	£	£			
London ...	828,683	358,561	1,068,361	118,883	21,055,000	842,200	5,395,000	1,863,342	28,103	1,789
5 Others ..	694,550	237,130	541,080	390,600	1,377,000	55,080	5,191,000	638,302	7,354	632
Prestwick ...	271,430	159,160	277,590	153,000	825,000	33,000	1,729,000	190,906	1,006	458
14 Others	770,780	449,571	433,237	787,114	2,451,000	98,040	574,000	1,015,425	30,388	1,099
8 " Social Service " Airports	172,169	68,331	23,220	217,280	73,000	2,920	5,000	131,712	408	126
TOTAL	£2,737,612	£1,272,753	£2,343,488	£1,666,877	£25,781,000	£1,031,240	£12,894,000	3,839,687	67,259	4,104

To these figures should be added £3 million for the cost of administration, but it is not possible to apportion this among the different airports * Not included in Ministry estimates.

and cannot materialise before 1960. At this stage London should begin to pay its way, but it will also have grown too small and Gatwick will be called in to supplement it.

What comes out of the committee's exhaustive investigation is a picture of technical energy and efficiency shadowed by some administrative complacency. Many airlines regard London Airport as the most efficient in the world, and that is no mean praise. But should this be provided as a public service at the expense of the taxpayer, or should it be a self-supporting trading service? Plainly, little attempt has been made to put it on a business-like footing. There is no allowance in the Ministry's internal accounting for interest on capital invested, although the municipal airport at Manchester and the privately-owned airport of Silver City at Ferryfield are both costed by their owners on a normal accounting basis. No allowance, either, is made for the £3 million of administrative overheads. No attempt is made to attract traffic, although it must be admitted that the airlines are difficult customers to please.

The Select Committee felt strongly that better trading accounts could and should be presented, both to give information to Parliament and incentive to the individual airports. It recommended higher landing

fees and possibly a higher passenger charge; brushing aside the dubious case—proposed by the airlines and accepted by the Ministry—that this would lead to loss of traffic and a spiral at other airports. It asked for a review of Treasury control of capital expenditure and held that it was imperative to conclude the negotiations to purchase the land—having found that a section of London Airport is still, after all these years, the property of the Fairey Aviation Company.

It was also suggested that a serious experiment should be carried out to increase the revenue from "amenities," that is, from sightseers and concessionaires catering for them. Many big airports get 40 to 50 per cent of their revenue from these sources, which more than compensates for low landing fees. But is London airport happily placed for a development of this kind? It might be able to draw support from the surrounding suburbs, but it seems optimistic to look on it as a serious competitor to the West End. What the committee did not touch was the heart of the matter. If the airports should be run as trading concerns, are they best administered as a section of a government department? Is there a case for establishing them under some separate corporate form? This is a question not mentioned in three hundred pages of evidence, but it might bear investigation.

Design for Accounting

IS the company accountant simply a steward? The 1948 Companies Act, by insisting on a mass of information in the accounts of public companies, put the emphasis on stewardship—on the duty of those who enjoy the privilege of limited liability and employ the investor's money to give a "true and fair" picture of their activities. The Act is demanding in all its requirements, and that is as it should be. It has brought a welcome consistency and uniformity to company accounting, but this is a gain won at the considerable cost of complexity. Accounts now are not likely to be misleading, but too often they are some way short of being comprehensible. It is not fair to blame this on the accountant. In designing a company's accounts he is faced with a conflict. Above all, the requirements of the law must be satisfied. But should the report be designed to quench the analytical thirst of the expert investor, or should it aim at the simplest statement that can be reconciled with the law and, at the same time, with the understanding of a lay shareholder?

Those who are always handling accounts are usually willing to put up with complexity so long as a full as well as a "true and fair" view of the company's affairs emerges. Indeed, they would like (and sometimes they get) more detail than the Companies Act requires. They think that more companies should publish sales

figures and a gross trading account. They become inquisitive about the margin of profit on this product and on that. They want to know what the assets are really worth. Their desires, "like fell and cruel hounds," are voracious; yet they can be satisfied only at the expense of more figures and of more complex and costly reports. Is this what the ordinary bulk of ordinary shareholders really want?

The answer, unfortunately, is that it is not. But compromise is possible and, fortunately, many companies are beginning to recognise the different needs of the professionals and the amateurs. One possibility is to relegate all the detailed accounting to the back of the report, along with the arcane implications of the necessary notes on the accounts and auditors' reports. This leaves the first few pages for those who are more at home with simple figures and narrative a statement from the chairman or the board, the essential figures of assets and profits and, perhaps, a simple table or illustration. Many great British companies, to say nothing of their counterparts in the United States, have shown that in ways like these it is possible to interest and enlighten the layman as well as to satisfy the most exacting analyst. That is one line of improvement in communication and understanding between shareholders and the companies they own.

Understanding is easiest to obtain when the figuring, however detailed, can be digested painlessly. The accountant must always be allowed some scope to express his own ideas and fancies on what is digestible. But there is a job of design, presentation and typography that, for all the improvement in company accounts, is far from complete. The eye has to perform before the brain, and the average shareholder does not usually have the trick of forming photographic images of figures that the skilled figure-man performs so easily. For the amateur, tabular accounts are probably clearer than double entry documents. For him, too, a detailed profit and loss account running down from sales to dividends gives a real content to the figures he studies. And he would be less mystified if the balance sheet were framed, not necessarily to show a "sources and uses of funds" statement in full detail, but at least to show where the money came from and where it has gone to.

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Intelligibility and the requirements of the Companies Act are not closer than second cousins. Is a more radical reform needed? Radicalism in accounting could not go much further than one suggestion made at the summer course of the Institute of Chartered Accountants during a discussion on Mr E. H. Davison's paper on "Financial Enlightenment: the Simplification of Accounts." This suggestion was that all a company needed to do was to send out a simple statement setting down in the space of a postcard the salient facts of the year's results, together with a business reply card indicating a wish to receive a copy of the full report. No doubt this would be enough for many shareholders, and it would save trouble and expense. But it has its dangers; for one thing, it could easily become a dangerous doctrine if essential information about a company's affairs was something to be released only on special request.

At the best, it could be only a partial answer, for it would still leave the problem of how the accounts should be simplified and the purpose that simplification was presumed to serve. The starting point must be that shareholders are primarily interested in the income they receive and in the factors which are likely to affect that income in the future. Dividends, earnings and the cash in the kitty to pay dividends are the shareholder's first interest. It was on this commonsense peg that Mr E. H. Davison hung his paper.

His first imperative was that some of the detail which clutters company accounts must be removed. Secondly, he argued, part of the jungle of comparative figures should be hacked down, so that the essential relative movements stand out. Thirdly, he would discard the holding company's balance sheet (now required by law) and would rely solely on the consolidated figures. Fourthly, the auditor's report should be replaced by his signature (with any qualifications he has to make) on the face of the accounts. "Sensible and practical"

is the immediate reaction to these ideas, but doubts soon appear. How many trees can be cut down before there is no forest? Some holding companies' balance sheets, notably where the trade of the parent is different from that of its subsidiaries or when subsidiary holdings change from year to year, are indispensable. The auditor's report is often cumbersome, but it is a report that he makes on his personal responsibility; it is easier to talk about simplifying it and discarding the ambiguities of "true and fair" than to find a way of doing it without exposing the auditor to unfair risks. Right at the outset the road to improvement is beset by a fog of qualifications.

Further along the road Mr Davison pleads for a consistent definition of the word "profit":

Fundamentally, the profit available for dividend is the amount of the greatest interest; if this were properly arrived at, no other information "above the line" is very valuable, and if omitted would hardly be missed.

Logically he takes the further step that the current value of the assets entered in the balance sheet should be shown somewhere in the report, and that in round terms "the percentage which the profit for the period bears to the total investment" at current values should be estimated. Commonsense again urges approval. But how far is detail to be sacrificed for simplicity? It matters to the ordinary shareholder, for instance, to know not only the earnings available for his dividends, but also the gearing to which the earnings are subject. For that he must have at the least information about debenture interest and preference dividends. Would simplification be complete if it robbed the shareholder of the chance of judging adequately the investment merits of his holdings?

Education as much as enlightenment seems to be the aim of Mr Davison's most striking proposal. He suggests that both in the profit and loss account and in the balance sheet the artificial distinction between capital and revenue reserves (which the Companies Act fails to spell out in full) should be eliminated. He would prefer to call reserves "savings" or "retentions," even though it might seem to be straining language to call a share premium account or a reserve arising from revaluation a "saving." Mr Davison would like to divide "retentions" between those which are "essential" and those which are not. The "essential savings" are depreciation, additional depreciation to make up the difference between historical and current costs and money held back against possible losses on stocks. The remainder is money set aside for expansion, for dividend equalisation, for financial prudence or simply for building up liquid resources. It is money, in fact, which if the directors chose they could distribute without harming the fabric of the company. One can sympathise with the view that the law's distinctions between the capital and revenue reserves are of no real importance under modern conditions. But the distinction between "essential" and "free" reserves still leaves room for argument. What sum must be provided

against losses on stocks? It is a question of opinion, not of fact, and the opinion of the managing director will normally decide. Mr Davison tries to get round this difficulty by suggesting that the auditors should pass judgment on the "essential" nature of the appropriations. Mr Davison's view of reserves has one outstanding merit: it would put the onus of defending a dividend policy where it rightly belongs—on the directors.

Mr Davison's suggestions should at least set accountants and company secretaries thinking. Not

Business Notes

Sterling After Butler

EVEN the rumour of the departure of Mr Butler from the Exchequer had started some sizeable selling of sterling. It came from New York on the first two working days of this week and required some appreciable support from the Exchange Equalisation Account. But for this support the slide in the sterling-US dollar rate would have been greater than the movement from \$2.80½ to \$2.80¼ which actually occurred. After the news of the ministerial general post was confirmed, selling of sterling became heavier and more widespread. On Wednesday morning sterling was being sold against almost every continental currency, and rates were moving against London, notably in the case of Swiss and Belgian francs, guilders and marks. These developments suggest that the end-of-year gold and dollar figures will reflect to the full the \$176 million paid on the United States and Canadian loans, and the further \$7,400,000 paid in gold to the European Payments Union in respect of the November deficit.

This selling of sterling reflects the general bewilderment at the Cabinet changes and in particular at the Treasury switch. Mr Butler had become identified since the Istanbul speech with the last ditch defence of the \$2.80 parity. Until his successor repeats these intentions unequivocally, foreign bankers and merchants will be tempted to believe that the change of Chancellor may also mean a change of policy. The sooner uncertainty on this point is removed the better it will be for sterling. Mr Butler had also become identified with the policy of solving the balance of payments difficulties by such overall measures of control as dearer money and a general restriction of credit. He was so committed to this that he could not have resorted to more specific measures such as new restrictions on imports. It may be significant that the new Chancellor of the Exchequer in his last appearance as Foreign Secretary, namely, as guest of honour at the annual dinner of the French Chamber of Commerce last

every accountant will agree with them; but the argument for improvement would be sterile if controversy were absent. Some of his suggestions would require a change in the law. Most of them have been made with the interests of the general body of shareholders in mind. If the purpose were to design accounts for the analyst, or the economist or employees a different approach might be necessary. But the enlightenment of shareholders must come first. The modern accountant should be prepared to be an educator as well as a custodian.

Tuesday, said: "We have perhaps gone too fast in our policy of trade liberalisation." He added that he would profoundly dislike ordering a retreat on this road, but apart from this expression of personal distaste he left the door wide open for a fundamental change of policy on this particular point. This is another issue on which the earliest possible declaration of intent from Mr Harold Macmillan is needed.

A Fairly Lucky Dip

THE ordinary shares of Consert Iron Company provided the brightest spot of the pre-Christmas share markets. Lists for the offer of 10 million £1 shares at 25s. 6d. were heavily oversubscribed though not quite so heavily as some tipsters had expected. They seemed disappointed that a paltry 65 million shares were applied for. In consequence there were more prizes in the lucky dip than the experts had foreseen. All preferential applications from former shareholders and from employees received an allotment. Such applications were met in full up to 300 shares, while for the larger amounts the general basis was about two-thirds of the amount applied for with a maximum of 10,000 shares and a minimum of 300. Among applications from the general public, all applications for 700 shares and upwards received about one-sixth of the amount applied for, with a minimum of 100 shares and a maximum of 2,500. Only the small public applications up to and including 600 shares went to ballot, and 20,000 successful applicants drew 100 shares each in the draw.

Hambros Bank excelled itself in dealing quickly with the flood of applications. The directors worked with the staff through the night and it was possible to get letters of acceptance and regret posted during the weekend even though lists had only closed on the Friday. Dealings started on Monday morning, although many allotments were still

in the post. The premium on the shares 10s. paid was not enormous, precisely because a fair proportion of the would-be shareholders had received an allotment. The shares started at 1½d. premium, and rose over the succeeding three days to 9d. premium bid. That will not pay for many Christmas parties, but it is good enough in a dull market to promise well for the further share offers that the Iron and Steel Holding and Realisation Agency hopes to make in the new year.

It is still likely that the first of those will be South Durham Steel and Iron to be sold for a sum of between £10 and £15 million. It is possible, but now unlikely, that a small selling operation may be sandwiched in ahead of South Durham.

Investment Plans Slacken?

MACHINE tool orders and Board of Trade approvals for new factory buildings have fallen off from the high peaks reached in the summer, but it is a little premature to read into this any marked slackening of industrialists' plans for new investment. Recent trends might be no more general than just the inevitable consequence of the placing six months ago of a few immense investment orders. Even if they do mean more, the slackening will hardly be really significant for production capacity before 1957. A great number of factories are now being built under plans conceived last year, and more might have been started had steel supplies not been a hindrance; and the machine tool industry has sold its output until well into 1957.

This industry received the last of the long deferred orders from motor firms, for their own expansion programmes, by May, and some decline in the flow of new business was to be expected, if only as a reflection of its lengthening delivery dates. Between July and September its home customers ordered £17.7 million worth of new tools, as against £20.2 million and £18.5 million in the two previous quarters. This was still £3½ million more than in the third quarter last year and twice as much as in 1953. The September total was, however, closer to last year's figure. The size of new factory schemes has been showing a similar drop. Here again, the total for the April-June quarter was inflated by four gigantic schemes, including one of over three million square feet in the motor industry. Total floor space approved in these three months was 29.6 million sq. ft. In the first quarter, the total was 24 million sq. ft., and in the third quarter it fell to 20½ million sq. ft. There are signs that new plans approved in the current quarter will be about the same as a year ago—about 20 million sq. ft. But this will still be twice as much as towards the end of 1953, when most of the new factories completed this year were first put on paper.

November's Bigger Deficit

THE details of British overseas trade in November do not reveal any substantial changes in the composition of imports or exports, but even minor changes can upset the balance of trade. Last month exports fell by little more

than two per cent, to £262.2 million fob; shipments of metals, non-electric machinery, road vehicles, ships and boats were somewhat lower than in October, and more than offset an increase in shipments of arms and ammunition, aeroplane engines and petroleum products. Re-exports, too, were down to £10 million from the exceptionally high total of £12.8 million the previous month. Imports, on the other hand, rose—again by little more than two per cent—to £341.5 million cif, partly because of a seasonal rise in arrivals of foods and beverages and raw wool. The effect of these marginal changes, however, was an increase, anything but marginal, of nearly one-third in the gross visible trade deficit, which was £16.4 million higher at £69.2 million.

Imports in fact returned to the high level that prevailed in the first quarter of this year, and the total value in the first eleven months of the year rose to £3,552 million, 16 per cent higher than in the same period of last year. Imports of manufactures (including semi-manufactures) were £200 million higher than in the first eleven months of 1954; food imports were up by £118 million, basic materials by £95 million and fuels by £71 million. Nor can higher prices be blamed for much of the increase, for four-fifths of it reflected a rise in volume. Last month, however, a rise in import prices of certain foods was mainly responsible for a rise of one point to 104 (1954=100) in the composite index of import prices. The export index for engineering products rose to 105, the highest point this year, but the composite index of export prices remained unchanged. Hence the terms of trade moved one point against this country to 101, still well below the level of the early months of the year.

At first sight, the rise of 9½ per cent in exports in the first eleven months of this year seems a respectable achievement, even though it fails to match the growth in imports. But a direct comparison with 1954 is misleading, because exports—unlike imports—were swollen this year with cargoes delayed by the dock strike of October, 1954. After attempting to allow for that distortion, the Board of Trade estimates that the real increase in British exports this year is only about six per cent.

United Steel in Line

THE general pattern of trading results from the denationalised steel companies has been much bigger profits and moderately higher dividends. United Steel's results conform exactly to this pattern. Its ordinary dividend has been raised from 10 per cent (which was 1 per cent higher than the original prospectus estimate) to 12½ per cent. Its profits, after charging loan interest, depreciation and appropriations to replacement reserves, have risen by just under 40 per cent. This is in line with all the other steel companies' results except Stewarts and Lloyds, which reported only a small advance in profits.

United Steel strikes its net income after making appropriations to stock reserves as well as replacement reserves. Even on this conservative reckoning these profits have risen from £3,253,372 to £3,684,304, an increase which more than covers the additional payment in dividends. The repeated 8 per cent dividend from Dorman Long unsettled

the market in steel shares; this market was so nervous that immediately before the United Steel announcement its £1 stock units were marked down to 45s. 1½d. The increase in the dividend made the jobbers more confident and the stock was at once marked up to 47s. 9d., a net gain of 7½d. on the day, so that the stock offers on the new dividend a yield of

	Years ended Sept. 30	
	1954	1955
<i>Consolidated earnings:—</i>		
Trading profit.....	11,171,476	15,353,864
Depreciation.....	2,034,980	2,550,207
Profit after depreciation.....	9,136,496	12,803,657
Non-recurring credits.....	...	368,147
Loan interest.....	133,635	209,962
Replacement reserves.....	1,000,000	1,500,000
Profit before tax.....	8,002,861	11,461,842
Taxation*.....	4,708,102	7,054,470
Stock reserve.....	...	700,000
Extraneous credits.....	136,000	180,302
Net income.....	3,253,372	3,684,304
Ordinary dividends.....	770,003	1,006,250
Retained profits.....	2,253,766	2,419,661

* Includes provision for equalisation (1954: £390,000; 1955: £383,000) and investment allowance reserve (1954: £320,000; 1955: £462,000).

5½ per cent. But the dividend did not occasion a general rally in steel shares for the Dorman Long statement made it clear that the costs of capital development, in which United Steel along with many other steel companies is still actively engaged, are rising.

Caution from Turner and Newall

MR W. W. F. SHEPHERD, the chairman of Turner and Newall, is habitually cautious. But he speaks for a group which serves many industries and markets, notably the building and motor trades, and his suggestion this week that demand may be less strong in the future is bound to carry weight. Hedged round with reservations, his words hint more at caution than at blunt warning. In his statement accompanying the accounts for the year ended September 30th he says:

... while the conditions in the early part of our current financial year remained favourable, there are, here and there, indications that the strong demand which is now being experienced may not be maintained throughout the whole of this financial year. ... Accordingly, our expectation is that for the first half of the current period we shall remain highly prosperous but, so far as the second half is concerned, we can only hope that this condition will be maintained.

His reservations are that demand at the moment is "very satisfactory" and that in particular the overseas companies have "momentarily" got over the difficulties they were experiencing a year ago. The statement certainly cannot be called prophecy but, when he speaks of the demand for asbestos cement, it is the credit squeeze that Mr Shepherd singles out as the factor most likely to affect it. What also calls for thought is that Turner and

Newall touch so many other enterprises as a supplier. The doubts that Mr Shepherd expresses may be a warning to some of them.

Have stockholders in Turner and Newall any cause for concern? It would seem not. In the past year they witnessed a further rise in trading profits (from £14.9 million to £15.6 million); the dividend was raised from 22½ to 25 per cent and the directors are not given to proposing dividends that they do not expect to maintain. Massive earnings cover the dividend and the group is amazingly rich—perhaps too rich—in liquid assets. Over £3 million was spent on fixed capital in the financial year, yet the total sum held in investments, tax reserve certificates and cash went up from £26.6 million to £29.2 million. Turner and Newall has always been financially conservative; this year, for instance, a review of fixed assets revealed that £2 million had been over-provided for depreciation in the past and, accordingly, this sum has been transferred to replacement reserves. The customary note to the accounts that no "excess" depreciation had been provided has now disappeared. The group, admittedly, faces a big replacement problem—the directors say that the £11.5 million held in replacement reserves is substantially less than "estimated requirements"—but £29 million still seems a big sum to keep in liquid form out of a balance sheet total of nearly £72 million. The dividend of 25 per cent cannot be in danger.

Two Kinds of Liquidity

MOST building societies, just clear of an abnormal rush of withdrawals by investors and still experiencing a demand by mortgage borrowers that far exceeds lendable resources, are anxious to maintain a high degree of liquidity. The big societies are aiming at higher liquid ratios than they have previously maintained and the Building Societies Association has been weeding out the few members who have failed to observe the minimum liquidity requirement of 7½ per cent—which itself seems small enough. Moreover many societies have seen the wisdom of nudging their investment portfolios towards the shortest dated stocks. Treasury Bills are enjoying an unusual popularity.

But what is the proper view to take when a high proportion of a society's liquid funds is held not in gilt-edged but as unquoted loans to local authorities? About £100 million of the liquid assets of the movement are on loan to the local authorities. At present local authorities cannot raise mortgage loans for periods of less than seven years (though some of them accept money against receipts for shorter periods). In mortgage loans some building societies have sought to include a "stress clause" allowing them to give six months' notice to withdraw in case of necessity. Such stress clauses are familiar in trustee savings banks' lendings to local authorities, but follow in the case of the savings banks from legal requirements imposed on them.

The appeal of a local authority loan that does not depreciate when gilt-edged stocks are falling is natural. A comparison of the balance sheets of the two big societies that closed their financial years on September 30th—the Woolwich Equitable and the Leeds Permanent—illustrates it. The Woolwich society with liquid assets of £17.8

million has to show a depreciation on gilt-edged stocks of £2.0 million though, as the chairman pointed out at the recent meeting, the Society had on September 30th funds of over £5 million available without needing to incur a loss on realisation. The Leeds society with liquid assets of £13.1 million shows a depreciation of only £80,000. But that society holds £10.5 million (80 per cent) of its "liquid" assets as loans to local authorities while the Woolwich society has invested only £73,000 (less than 1 per cent) in that way.

But freedom from market depreciation has its price. Loans to local authorities are not fully liquid. A few "stress clauses" have been unusually widely drawn, so that a society might reasonably claim repayment without admitting that it was under dire need; but in general "stress clauses" are not invoked, nor is it at all certain that the government would look with favour on any general attempt to use them. Certainly the local authorities at present engaged in scraping the bottom of the mortgage market's barrel would detest it. The obverse of the greater depreciation that the Woolwich society has suffered is that for a substantial period in the summer the Leeds society almost stopped mortgage lending—a brave decision but an unpleasant one.

Perhaps there is no single investment that is ideal for all building societies. The big societies can arrange their local authority lending on a time schedule so that there is always something near to maturity. That spreads the risk, but does not remove it. The lesson that too much lending on local authority mortgages could be bad—that the local authorities which are also in the housing business are likely to be short of cash at the same time as the societies are short—is sinking slowly in.

Dunlop in Malaya

THE Dunlop Rubber Company may not have been surprised that its decision to produce general purpose synthetic rubber in Britain was taken as indifferent news for the natural rubber industry and, indeed, for Malaya, where the group has great plantations. This week the company was at pains to correct that interpretation. The general manager of Dunlop Plantations announced that the group was spending £4½ million on the replanting programme that was begun in 1950 and is to be completed by 1962. By then all the 72,500 acres under rubber will be planted with high-yielding stock in various stages of maturity. Another £1 million is being spent on buildings and ancillary services, bringing the new investment on a total of 80,000 acres to about £70 an acre. That, the Dunlop spokesman said, should be sufficient evidence of Dunlop's confidence that more natural rubber will be needed, as well as more synthetic. That confidence is also reflected in the recent decision to open up 10,000 acres to natural rubber in eastern Nigeria; in moving to this new area the company can claim to be doing no more than spreading its risks. The land is selected but not yet bought, and the company cannot give an estimate of the expenditure involved. But if clearing and planting costs no more than £100 an acre the investment would be £1 million. When all these plans are completed Dunlop

hopes to be self-sufficient in natural latex; at the moment it buys about one-quarter of its latex and all its supplies of sheet rubber.

Last Lap in Lorry Sales

THE last chapter in the two years of road haulage denationalisation opened last week with the publication of the Disposal Board's fifth six-monthly report and the introduction of the new Transport (Disposal of Road Haulage Property) Bill. Since the former Minister of Transport decided last July to let British Road Services keep its trunk haulage fleets—which the present bill will authorise—and nearly 19,000 other state lorries have now been sold back to private hauliers, there are few loose ends remaining to be tied up. The interesting, and new, parts of the bill are the arrangements it makes for these tag-ends—the parcels and meat fleets and the BRS vehicles operating on contract hire—and they may still prove troublesome. The abolition of the transport levy in a year's time, when it will have collected £12½ million to compensate the Transport Commission for losses in disposal, is the logical, and expected, result of halting the sales.

Fleet when disposals started	36,776
Less: Non-runners and net replacements...	1,577
	35,199
Retained fleets:—	
Special vehicles.....	1,222
General haulage.....	7,750
Others.....	598
	9,570
	25,629
Awaiting special disposal arrangements:—	
Parcels fleet.....	4,106
Meat fleet.....	498
Contract hire.....	1,982
	6,586
	19,043
Sold	18,837
Still to be sold in normal sales.....	186

The bill will remove the obligation to sell shares in road haulage companies "in one parcel"; it will now be possible to offer these shares in the normal way—and loan capital as well. There is still a month to go before tenders must be in for the parcels fleet, but it has never seemed likely that single bids of £10 million or more would be forthcoming for this organisation. The meat fleet has been offered twice and two separate bids of just over £500,000 from Mr George Dawson have both been rejected. Once the bill has been passed it should be more easy to sell these companies; but it may be some time before the board offers the securities. What will happen if the commission were to be left with some shares, or loan capital, still on its hands? Would this mixture of private and public capital be acceptable to the Government?

The board have put one interesting table in their report, giving an analysis of the lorries they have sold by age and size. This is presumably designed to meet the argument of hauliers that the commission has retained most of its newest and largest vehicles. There has never been much merit in the hauliers' argument, but it will not be scotched until British Road Services makes available a similar breakdown of the fleet it is being allowed to keep.



Only a *man* can tackle this job!



There's fierce competition between the fishing fleets of the nations today to get the best fish at operating costs which will ensure a low price for the consumer. If the British Distant Water Trawler Fleet is to remain the most efficient in the world, and ensure that the British people shall continue to enjoy their birthright—the cheapest first-class food that money can buy—its equipment must be absolutely the most up-to-date that engineering genius can provide.

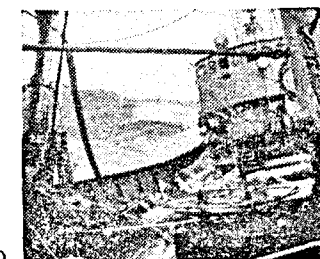
The cost of building a modern trawler is six times higher than it was in 1939, and outdated ships *must* be replaced. Already this year five new trawlers, costing £1,000,000 have joined the British fleet of 270 ships. Yet these fine new ships, equipped with many electronic devices and the latest wonders of radar can avail nothing without the skill and courage of the seamen. Here indeed is a calling where Man remains the Master and the Machine his servant.

The trawlerman knows that his job is one of the toughest on earth. He chose it freely and he gets well paid for it. He has in addition the quiet knowledge each time he leaves his family, for three weeks at a time, in all seasons and weather, that his skill, experience and fortitude provide one of the reasons why fish—one of Britain's staple foods—remains the cheapest first-class food that money can buy.



BRITISH TRAWLERS

Hull / Grimsby / Fleetwood



THE BRITISH TRAWLERS' FEDERATION LIMITED

Freights at the Tribunal

THE Transport Tribunal has now been sitting for twenty days on its inquiry into the new railway freight charges scheme, and when it resumes the hearings on January 11th it will be passing from the Transport Commission's case for the scheme, and the examination of its chief railway officers, to the evidence and witnesses submitted by the objectors. This is not the occasion for detailed comment on the objections, nor for a summary of the proceedings. But some interesting points have emerged so far, mainly in the examination of the Commission's witnesses.

The objections appear to fall into two groups, apart from those made at the outset of the hearings that parts of the draft scheme were *ultra vires* the Transport Act. The Tribunal has already rejected those objections, apart from one that may be a matter of drafting, on which it has postponed its decision. First among the remainder are the objections that arise from the novelty of the scheme: that maximum charges do not tell a trader what his actual costs are going to be, and that there ought to be some further classification of charges other than by weight and loadability. This, the Commission argues, is hankering after the old system of rates, and could mean continued substantial cross-subsidisation between traffics.

The other group of objections are aimed at the way in which the scheme has been designed. The maximum charges are said to be too high; this is for the Tribunal to decide—they are based, according to the Commission, on the outer range of adverse (but not extreme) operating costs, and do not make any allowance for prices after mid-1955. The criterion of loadability comes in for much criticism. It is argued that this is not the only factor in

costs—the Commission say it is the dominant one—and that it is wrong to base it upon a 10-ton wagon of certain dimensions of which there are few in existence. How is the trader to know the loadability of his goods? The Commission's answer to this point is that it is merely a standard way of fixing the maximum charge, again taking adverse costs, and that in practice actual charges below the maximum will be negotiated directly with the trader or will be based upon rate books supplied to goods stations. Only for casual consignments charged near to the maximum will the question of loadability in fact arise, and suitable arrangements can then be made. The central aim of the new scheme is to give flexibility to railway freights, so that charges can be based more upon the actual costs of haulage. This plainly calls for a considerable breakdown of railway operating costs; but the evidence of the Director of Costings shows that the Commission have been making impressive strides forward in this far from straightforward field.

No Respite for Union-Castle

THE rejoinder from the chairman of Union-Castle Mail Steamship company to the shareholders who have requisitioned a meeting for January 5th and will propose the removal of himself and the majority of his colleagues from the board, is good debating—so good that it is a matter of surprise that it was decided not to send it to the press. The most telling point is the holdings of the requisitioning stockholders on October 3rd, the day of the first announcement of the proposed merger with Clan Line and on November 21st, the day on which the requisi-

tion was deposited. On the first date the requisitioning stockholders held £134,600 nominal of stock; Mr Jack Billmeir had £125,000 of it and the large majority of the requisitionists including most of the companies with which Mr Harold Drayton is associated, had no holdings. On the second date the requisitionists mustered £1,418,651 stock (still far from a majority of the 8,220,000 votes that could be cast at the meeting); Mr Billmeir had not varied his holding but Mr Drayton's group had bought enormously. The argument is pure debating: the shareholder is entitled to the same consideration and the same voice whether he was registered yesterday or twenty years ago, but it enables the chairman, Sir George Christopher, to say that the meeting is not directly concerned with the merger (which is a matter for the individual shareholders) but an attempt by a section to secure control of the board.

It appears that the chairman's circular is to be followed in the near future by a further rejoinder from the opposition. If that is good debating too it will be a pity. Debating while the sands of time run out cannot produce the best outcome for Union-Castle. It would surely be best that the two sides should work for compromise. Clan Line, and the Cayzer family that controls Clan, can provide good management and effective control is the price for which they ask. Mr Drayton, Mr Adeane and Mr Billmeir apparently want control too and if that were their main objective there would be nothing for it but a race for control ending presumably in a photo finish. But is control really Mr Drayton's sole objective? He and his associates now have over £2 million tied up in Union-Castle shares, nearly all of it money found since early October, and it is presumably money which the group could employ in its other varied interests if it were free. If would be surprising if they would not welcome an opportunity of lightening their holdings—at a price.

Airways, Aircraft and Airwork

THE debate in the House of Commons on Tuesday on the accounts of the British Overseas Airways Corporation and British European Airways passed off more quietly than expected. It turned to a large extent around the buying policy of the two corporations. The government was able to point to still larger orders for British-built aircraft from British European Airways, 16 additional Viscounts and 20 Vikings, and to a healthy business in feeder-line machines. The Minister of Supply restated his case for writing off the half-completed Vickers V. 1000 and his confidence in the Britannia and the Comet IV. In the process, the interests of the two corporations were somewhat overlooked. Both have achieved a precarious balance in their accounts. It is critical to their financial outturn that each should possess the types of aircraft most suitable for their operations and it really is time that those who discuss these matters should recognise that such aircraft are not always or automatically found in British factories.

Both Mr Profumo and Mr Beswick, speaking for the government and opposition respectively, referred obliquely to the bitter comments made a week earlier by Airwork Ltd. when that company stopped its air freight service across the North Atlantic after nine months' operations. Airwork maintained that government policy has killed all hope that

the venture would ultimately pay its way, and Mr Profumo's statement that the government "wish this company and its colleagues in the independent field good fortune in the future, for we wish to see them prosper and endure as a permanent feature in our national effort" leaves a good many of Airwork's contentions unanswered.

Liberia Waives the Rules

ALTHOUGH shipping people have been aware for some time that more and more ships were being transferred to registration under flags such as Panama, Liberia, Honduras and other traditionally non-maritime countries, few can have imagined how far this has gone within the last twelve months. The publication of statistics from Lloyd's Register Book for July, 1955, has opened their eyes. Within the course of one year, ships registered under the flag of Liberia have increased in tonnage by 1,616,000 tons gross to a total approximating to 4 million tons, displacing the fleet of a similar non-maritime country, namely Panama, from fourth to fifth place in the hierarchy. Only the United Kingdom (19,357,000 tons gross), the United States (26,423,000 tons, including about 14 million tons laid up in the inactive "reserve" fleet) and Norway (7,249,000 tons) now exceed in tonnage the merchant ships on the high seas which now fly the national flag of a small West African republic that scarcely ever sees a merchant ship of any size at all.

It is doubtful whether a single Liberian dollar is invested in any of the ocean-going ships that now form the fourth largest merchant fleet in the world. Most of them are owned either by American companies attempting to evade the restrictive legislative regulations that were primarily intended to protect the American-flag merchant fleet against competition from the wicked outside world, or by international shipowners who wish to avoid the fiscal burdens that attach to registration in the United Kingdom, Norway—or even Greece.

Only two elements in operational cost on the high seas differ according to flag. These are the rates of wages paid for national crews and the standards of national taxation. The legislative and fiscal policies of most of the traditionally maritime nations have succeeded in expanding the merchant marine of Liberia, for example, from something like 250,000 tons gross in 1950 to nearly 4 million tons in 1955. More than 500,000 tons of the merchant shipping tonnage under construction at the moment is destined for Liberian registry; and nearly half of the total Liberian fleet is under 10 years old.

The Bottle Boom

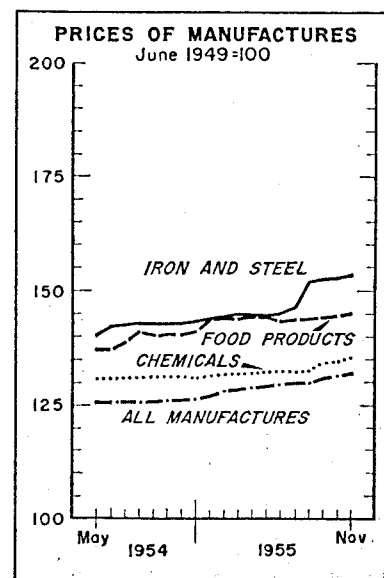
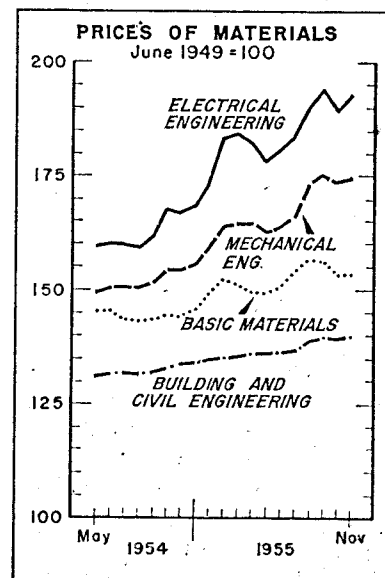
GLASS bottles, as well as parcels, are opened on Christmas Day, so the preceding months are an even busier time for bottlers and container makers than the months leading into the summer. A hot summer this year, and a spending spree not confined to Christmas alone, have combined to give the glass container industry their best year ever. Yet a record production of 27 million gross of containers, which

Industry's Appetite for Materials

ONE measure of the heightened demand by British industry for its main raw materials is provided by the Board of Trade's indices of wholesale prices. These show that with few exceptions, the prices that industry pays for its materials and charges for its manufactures have risen fairly steadily in the past twelve months. The sharpest increase has been in materials used in electrical engineering, the index for which has risen by 15½ per cent to 192.8 (June 1949=100), mainly because of the steep increase in copper prices. The index of basic materials (excluding fuel) has risen by six per cent in the past year. Prices of manufactures have not been much less sensitive to inflation. The index of all manufactures, excluding fuel, food and tobacco, has risen uninterruptedly in the past year; last month it reached 131.7, an increase of 4½ per cent over the year. Iron and steel products have risen by seven per cent. The Board of Trade's price indices of the output of broad sectors of industry now covers all products of the food

manufacturing industries. This index, published for the first time this month, reflects market prices and it is intended to publish later an index which takes the

subsidies paid to food manufacturers into account. Another index, covering food for human consumption only, is also being prepared.



cannot have left much room in the industry's capacity on a 168-hour week, and a hefty clearance of factory stocks, have still left some breweries and soft drink firms clamouring for more bottles—new ones or returned empties. This prosperity, however, does not mean that all firms in the industry will be reporting such bumper profits as came from Redfearn last month; that threefold jump in earnings was a special case and reflected the reorganisation of the firm's plant layout and a new furnace.

GLASS CONTAINER OUTPUT
(Million gross)

	Food and Drink	Medicine and Drugs	Other	Direct Exports	Total
1950	14.1	4.6	2.6	0.4	21.7
1951	16.2	5.5	3.0	0.5	25.1
1952	15.9	4.8	2.8	0.4	23.9
1953	14.7	4.9	2.9	0.5	23.0
1954	15.6	5.4	3.1	0.5	24.6
1954 (9 months) .	11.3	4.0	2.3	0.4	18.0
1955 (9 months) .	12.8	4.3	2.5	0.4	20.0

Where has this year's big demand come from and will it continue? These are crucial questions for the industry, which is so highly mechanised that its break-even point comes high and makes companies wary of over-expanding their capacity. Their higher output has come partly from faster throughput, as a result of research; but new furnaces have also been built to keep abreast of their customers' orders. Although the improvement has been widespread throughout the food and drink industries and also from medicine and drug firms, this year's notable advances have been made by the soft drink and mineral water bottlers. Those drinks may not enjoy such a good summer selling season next year; and bottle makers may also justifiably be anxious about the possible effects of cuts in consumption upon household grocery and chemist bills. But even though beer output is declining a rising proportion of it is bottled, and the self-service store is another development that means much for glass containers.

Air Freight to Australia

SILVER CITY AIRWAYS, the car ferry company, has just celebrated its tenth anniversary with the claim to have become the world's largest air freight carrier and with a scheme to extend its operations through to Australia. The parent company of Silver City, the British Aviation Services Group, lodged an application a year ago for a freight route to Australia, with intermediate stops at Basle, the Middle East, Karachi, Columbus and the Cocos Islands. The application has met with a good deal of opposition, but the outcome should be known in a few weeks. Much now turns on the attitude of the Australian government, whose permission is required for such a service to be operated.

The route is an attractive one for a freight service, for it holds promise of adequate freight in both directions. The one all-freight service flown by the British Overseas Airways Corporation, known as a sceptic about air freight possibilities, is to the Far East. This is operated for the corporation by the independent carrier Skyways as far as Singapore

and then by the Australian airline Qantas on to Australia. The P and O line have an interest in Silver City, which presumably means that P and O experience and facilities would be there to back the freight service. It is the group's second attempt to establish a link with Australia: some time ago another subsidiary, Aquila Airways, lodged an application to fly freight to Australia by flying boat, but this was not pressed very hard.

All In Equities

THE best time to start an investment trust is at the bottom of a market slump. This ideal hardly obtained in the first formative months of the new investment trust, North Atlantic Securities Corporation, which belongs to the same stable as the Anglo-American Debenture Corporation. But the trust bought most of its 332 investments after Bank rate had been raised to 4½ per cent so that it was not floated off at the worst of all possible times, the peak of a market boom. Indeed, on September 30th these investments showed an appreciation of £87,405 in market value, equal to just over 7 per cent above the book value of £1,227,782.

All the investments are in equities and the geographical distribution on September 30th was 41.9 per cent in British stocks, 14.9 per cent in Canadian stocks and 43.2 per cent in United States stocks. The trust is not indissolubly wedded to this particular distribution but, as its name implies, its portfolio is always likely to contain a high proportion of North American common stocks. It is an advantage that the present holdings were mainly bought while the premium on dollar stocks in London was negligible. At the moment the portfolio is backed by an issued ordinary capital of £1,500,000 in 5s. units, but at some time in the future a debenture issue may be made. Then the leverage on a portfolio of ordinary stocks would be big. The implied risk in supporting a debenture service on nothing but ordinary stocks would also be big.

This, perhaps, was one of the factors which attracted the 1,017 original buyers for the 5,700,000 ordinary shares placed privately at par this year; the Anglo-American Debenture group of trusts took up the remaining 300,000 units. Most of these investors will be firm holders and only a few of the shares will come into the market in this week's introduction. In first dealings the stock was expected to command a premium of between 3d. and 6d. An interim dividend will be paid for the current year. The total dividend for the year is still a matter of guesswork but

"Motor Business"

The December issue of this quarterly research bulletin for the motor and allied industries includes:

The Industry's Development Programme Reviewed and the Outlook for 1956.

The Australian Market for Vehicles and Tractors.

B.M.C., Standards and Routes: A Financial Assessment.

The Bulletin is fully illustrated by charts, amongst which are Price indices of used cars and vans, new registrations in Great Britain and the hire purchase share of the market.

For full particulars of this Bulletin, apply to:

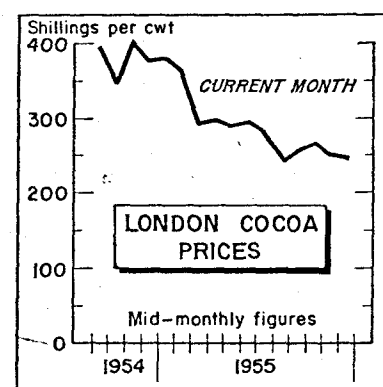
THE ECONOMIST INTELLIGENCE UNIT,
22 Ryder Street, St. James's, London, S.W.1.
Whitehall 1511. Ext. 49.

something in the region of 4½ per cent to 5 per cent is the market guess. The trust is not fully invested; on September 30th there was £313,033 in cash at the bank.

Cocoa Becalmed

THE days when raw cocoa prices fluctuated wildly at a high level seem long past. For several months cocoa has been between £245 to £260 a ton and a considerable volume of business has been done. Yet as always it is the future—not the present—that interests the market. What price will cocoa be in 1956? At the moment there seems little reason to expect a radical change. World production in the 1955-56 season is likely to be somewhat smaller. The final estimate of the main crop in the Gold Coast, the world's largest producer, had not been announced when *The Economist* went to press, but it was expected to be below that of last year, and the crop in Brazil is smaller than the record crop of 1954-55. World consumption, on the other hand, is recovering under the stimulus of lower prices, and may well surpass the rate of production in the spring.

The question is whether the recovery in consumption will take prices up with it. Three things will help to check any advance in prices. First, manufacturers' stocks,



cocoa for distant delivery. Thirdly, manufacturers would switch back to substitutes for cocoa butter if cocoa prices rose much above £300 a ton. Hence any advance in prices seems likely to be modest rather than marked.

Strength in Metals

ALL four non-ferrous metals traded on the London Metal Exchange are closing the year at prices at or near to the highest points of 1955. Copper, the most buoyant of them all, has touched a new peak of £404 a ton for cash, and closed last Wednesday only a little lower at £396 a ton. Tin recently touched £840 a ton for cash, the highest price for two-and-a-half years, before dropping back to £830 a ton. Lead is now at the highest price since the market reopened in October, 1952, with prompt metal at £115 a

ton, and zinc is not far behind; prompt zinc closed on Wednesday at £99 a ton, only slightly below its best. The strength of the metals reflects primarily the resurgence of American demand at a time when industrial production in Western Europe shows little sign of abatement. The credit squeeze in Britain and in other countries may have restrained consumer demand, but its full effect has evidently still to come. Indeed, if consumers have been obliged to reduce their stocks, credit restriction may at times have accentuated a rise in prices of prompt metal, since the consumer without a reservoir of stock has little latitude for choosing his time for buying in a narrow market.

The individual commodities have drawn strength from different sources. Production of copper is still plagued by strikes; the latest rise in prices was caused by yet another strike in the American-owned mines in Chile. In the United States the customs smelters are again charging 49 cents a lb (£392 a ton), compared with the producers' price of 46 cents (£368). The shortage of tin persists. American buying has increased further and one of the two Malayan smelters has closed down for overhaul. It is a piquant—though perverse—thought that American interests, which have never been slow to complain of "price-gouging" in tin, could find a culprit this time in their own government's "strategic" purchases which, coming on top of commercial consumption, are taking too much tin out of the market. Lead and zinc prices are being helped by the fairly widespread belief that American prices will be raised again, and behind both metals stands the American government, ready to take the surplus into the stockpile should industrial demand fall off. The metals, in short, in contrast to agricultural commodities like cotton and wheat, seem to have things all their own way at present.

George Dobie Takeover

IN an industry composed mainly of giants the small man faces a struggle. Tobacco is an industry of big units and one of the few remaining small units—George Dobie and Son—is to lose its independent existence. The announcement of the bid of 35s. per share from Robert Benson Lonsdale and Company on behalf of Godfrey Phillips and Company contains only one element of surprise—that Godfrey Phillips and not one of the still bigger and stronger groups is the buyer. Shareholders of George Dobie have since early October had repeated hints that negotiations were in progress and since then the £1 ordinary shares of George Dobie had risen from 16s. 6d. to 33s. and they rose further to 34s. on Wednesday after the announcement.

On a dividend recently cut from 10 per cent to 4 per cent the Dobie shares could hardly stand at 35s. so that shareholders will have no difficulty in agreeing with their directors that the price offered is much better than what might be expected if the company were to continue in independent existence. There remains the third possibility. What would shareholders get if the company went into voluntary liquidation? There the figuring is less conclusive, but, including compensation payments to directors and long service employees, the offer will cost Godfrey Phillips about £1.38 million and the directors are evidently satisfied that the return on liquidation would be smaller.

SHORTER NOTES

The revised scheme for rearranging the capital of Hoover and getting rid of the specially high gearing attached to the "A" ordinary shares has been announced. Holders of the 1s. "A" shares are now offered in 135 new 5s. (non-voting) "A" shares and ten 5s. ordinary shares for each 100 present "A" shares held. In the scheme that was withdrawn in September it was proposed to give 115 new "A" ordinary shares and ten ordinary shares for each 100 existing "A" ordinary shares. In the new scheme the ordinary and "A" ordinary shares rank equally for dividend, so that the present holders of "A" ordinary shares will on their new holdings rank for 23.67 per cent of distri-

buted profits, instead of for a variable proportion. Their rights on liquidation will also be improved. It is estimated that for the current year distributable profits will be £3.75 million (against £4.58 million) and that the total dividend for the year will be between 60 and 70 per cent (against 70 per cent).

★

Leadenhall Investments and Finance has disclosed the identity of its client who is bidding against Rootes Motors for the stock of Singer Motors. It is George Cohen and Sons, parent company of the "600" group of engineering companies, and the bid for the ordinary stock has been raised to 5s. per unit in cash.

Company Notes

ARTHUR GUINNESS. For the third successive year on the present ordinary capital of £12,500,000 Arthur Guinness is to pay a higher dividend. The dividend has been raised from 23 to 25 per cent. There is a touch of mystery about this dividend. Has it been increased because the profits from the sale of the company's bottled stouts have gone up? Or was it because profits from "interests unconnected with brewing" have risen? Lord Iveagh and his co-directors have not yet revealed what these interests are. It is time they did, for these interests are making a substantial and, apparently, a growing contribution to profits.

The company's total profits before tax in the year to September 30th advanced from £5,682,496 to £6,371,199. Within this total the earnings of the mysterious non-brewing interests rose from £517,122 to £786,241; that advance alone is enough to cover the increase in ordinary dividend payments. The increase in Guinness's brewing profits by about 8 per cent is in line with that reported by Bass, Radcliff and Gretton, though Bass, because of rising costs, was content to leave its dividend unchanged at 43 per cent. Both groups in the last few months of their financial years must have received some benefit from the increases in prices announced last July and both will enjoy a full year's benefit from them in the current trading period.

After tax Guinness's net profits have risen from £2,451,976 to £2,934,931. This increase and the dividend decision did not move the 10s. ordinary stock units, for the dividend was in line with market estimates. At the current price of 44s. 6d. the stock yields 5½ per cent.

LANCASHIRE COTTON CORPORATION. The preliminary report of Lancashire Cotton for the financial year ending on October 31st shows that profits before tax have fallen from £4,346,094 to £2,804,120. Taxation, too, is down (from £2,065,000 to £1,330,000), so that net profits have only

fallen from £2,312,370 to £1,583,511. Effectively the ordinary dividend is left unchanged at 12½ per cent for the year, so that the fall in the price of the £1 stock units from 28s. 7½d. to 28s. (to give a yield of 9 per cent) can be attributed to the decline in earnings.

What lay behind the decline of about 35 per cent in the gross profits of this horizontal combine of spinners? There seem to be four main reasons:

(1) Stocks of yarn and cloth were run down in the summer in anticipation that raw cotton would become cheaper.

(2) The actual fall in raw cotton prices may have forced Lancashire Cotton to write down some of its stocks. Presumably the Corporation tried to keep its stocks down to the minimum, but that could have been no easy task when the merchants themselves were carrying little stock.

(3) The Corporation is heavily, though not exclusively, engaged in the coarser, cheaper end of the trade, which bore the brunt of the competition from imports of cheap Indian cloth.

(4) The recession in Lancashire in the second half of the year brought a reduction in profit margins.

There are now signs of recovery in Lancashire, but doubts about the future are reflected in the high yields on cotton shares. The yield offered by the Lancashire Cotton units is smaller than most, but then the Corporation has pursued an intensive programme of re-equipment since the war and its reserves and liquid resources are strong.

RANKS. The year to September 3rd was exciting for Ranks, the flour millers, but the company's preliminary report for that period lacks colour. It was the second year of freedom for the millers and it witnessed a struggle between the millers, particularly Ranks and Spillers and their biggest customer, Allied Bakeries. The struggle is now over with neither side emerging as a clear victor but while it was maintained it seems

to have hurt the profits of Ranks. While Allied Bakeries was importing flour, the big millers had to put some mills on short time working and in retaliation they began to buy up bakeries. The effect of this drop in production, pushing up, as it did, overhead costs, can be seen in the fall in the gross trading profits of Ranks from £5,165,000 to £4,775,000. This may not be the whole story for the profits are struck after unspecified charges for depreciation and "reserve against the excess initial cost of postwar construction." Moreover, freedom itself may be adding to costs in the sense that the millers now have to go out to sell their flour, and stocks are carried on the millers' finance instead of on Government finances.

To the year's profit is added £467,000 from non-recurring credits, which brings the net profit after tax to £2,381,000 (compared with £1,936,000). If the special credits are excluded net profits show a slight fall (from £1,936,000 to £1,914,000) and this has occurred in spite of a fall in taxation (from £3,229,000 to £2,861,000). Nevertheless, the directors have raised the ordinary dividend from 19 to 20 per cent, which, net of tax, absorbs £789,267. The fact that the agreement between Allied Bakeries and Ranks and Spillers should have a beneficial effect on the current year's earnings may have some bearing on the latest dividend decision. The 5s. ordinary stock units are now quoted at 19s., offering a yield of 5½ per cent.

THOMAS FIRTH AND JOHN BROWN. The Dorman Long dividend, which brought the rally in steel shares to an abrupt halt, overshadowed the preliminary report of Thomas Firth and John Brown for the year to October 1st. Had it not been for the disappointment from Dorman Long, this report no doubt would have been numbered among the factors making for confidence in steel shares. Thomas Firth and John Brown followed the example of Colvilles and Stewarts and Lloyds by declaring an ordinary dividend higher than was forecast in the prospectus on which the shares were sold back to the public last March.

Then the directors foresaw a dividend of 8 per cent. In the event they have declared a dividend of 9 per cent on a capital of £5,500,000.

In the prospectus, too, the directors estimated that the profits after depreciation but before taxation would be in the region of £2 million. The profit estimates in the steel prospectuses have always leant towards caution. How far this caution went is shown by the fact that the profits before tax of Thomas Firth and John Brown came to £2,635,743 (compared with £1,921,528). The increase of 37 per cent in profits is more comparable with the advances reported by Conssett and Colvilles than with the

	Years ended	
	Oct. 2, 1954	Oct. 1, 1955
Consolidated earnings:—		
Trading profit.....	2,483,124	3,341,017
Investment income.....	192,362	199,778
Depreciation.....	313,096	335,274
Replacement reserve.....	248,500	370,000
Taxation.....	1,309,254	1,591,665
Net profit.....	804,636	1,243,856
Non recurring credits.....	17,245	156,297
Net income.....	821,881	1,400,153
Ordinary dividends.....	70,125	284,625
Retained profits.....	751,756	1,115,528

£1 ordinary stock at 30s. 3d. yields £5 19s. per cent.

small rise reported by Stewarts and Lloyds. The ordinary dividend after tax takes only £284,625 from a net profit of £1,243,856 (shown after charging tax, depreciation and the replacement reserve appropriation of £370,000). But any comment on the big earnings cover must immediately be qualified by the statement that Thomas Firth and John Brown has not yet completed its development programme. In the prospectus it was estimated that the three-year programme would cost about £1,800,000 (all of which was to come from the company's own resources) and as the statement from Dorman Long showed the cost of capital development is still rising.

HAWKER SIDDELEY GROUP. The full accounts of the Hawker Siddeley Group cannot cause a fraction of the excitement in the stock markets that the group's preliminary results (which were discussed in these columns on December 17th) aroused. But they form an interest-

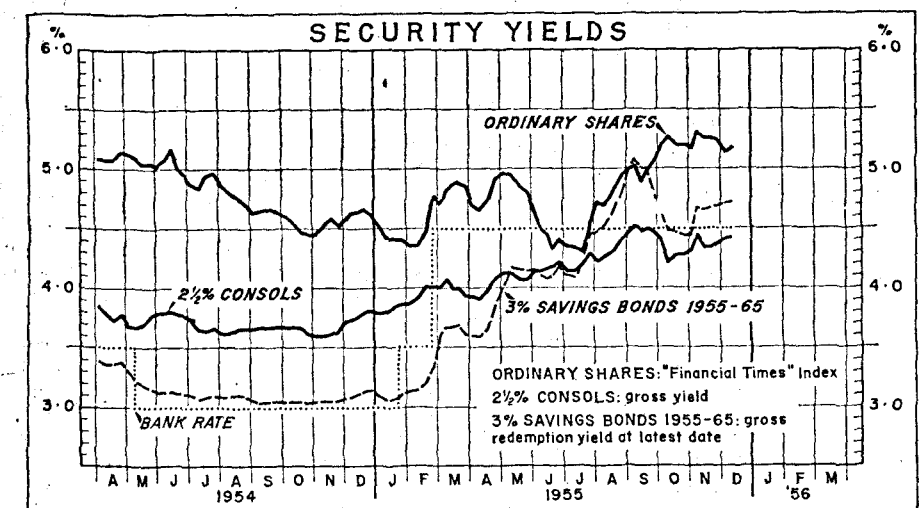
ing tailpiece to the year's profits. The emphasis in the full report is upon the group's Canadian interests which the directors now vaguely describe as "very large." The group owns 1,600,000 of the npv common shares of A. V. Roe Canada and options to subscribe for 90,000 more shares at \$10 each have just been given to the executive directors of the Canadian company, including an option to the chairman of 50,000 shares. Such options are common in the United States and Canada and might have been more widely adopted over here had not the Inland Revenue established that gains arising from the exercise of share options would be taxable.

Just after the close of the financial year on July 31st the group acquired the whole of the issued share capital of Canadian Car and Foundry. The consolidation of the assets of this concern will not become apparent until the next balance sheet is published, but in the latest document a

	On July 31, 1954	1955
Consolidated bal. sheet:—		
Net fixed assets.....	17,633,638	19,024,479
Tools and tools.....	708,880	643,266
Net current assets.....	18,802,755	24,054,583
Stocks.....	26,788,448	27,047,256
Debtors.....	14,332,428	18,026,602
Cash.....	4,214,577	8,665,089
Bank overdrafts.....	2,163,966	
Capital reserves.....	10,404,612	11,228,320
Revenue reserves.....	4,911,522	9,353,948
Ordinary capital.....	11,644,700	11,644,700

£1 ordinary share at 71s. 4d. yields £4 19s. per cent.

commitment of £8,099,000 is entered in respect of the purchase price of the Canadian company. A further commitment is for £3 million to be spent on fixed assets. The group's cash balances have risen sharply in line with the ploughing back of heavy sums into reserves; with profits flowing into the kitty from current production the group should have no difficulty in meeting its outstanding commitments. Indeed, the balance sheet as a whole provides a strong backing for the advance in profits (from £11.2 million to £15.5 million before all charges) and for the increase in the ordinary dividend from 10½ to 17½ per cent. It is little wonder that investors refuse to regard the 100 per cent free scrip issue simply as a book-keeping transaction.



LONDON STOCK EXCHANGE

Next Account begins: January 4th
Next Contango Day: January 4th
Next Settlement Day: January 10th

THERE was a seasonable contraction of business in Throgmorton Street this week. The appearance on Monday of stags in Conssett Iron who had been lucky in both the ballot and the post caused a stir in the steel section. The volume of selling was necessarily irregular, but a premium of 8½d. was later established. British Funds, which were firm at the end of last week, weakened slightly on Monday and more pronouncedly on Tuesday. It was not until Wednesday afternoon that an appreciable rally developed. In quiet trading industrial shares eased and several of the recent favourites were checked by profit-taking: Plessey eased 1s. 3d. to 83s. 9d.; Holders Investment fell back to 45s. after their swift rise last Friday. There was a fair amount of activity in the new scrips of the giants Unilever and Bowater; Unilever old and new receded to 71s. and 72s. 6d. respectively, but Bowater rose in first dealings on Monday, the old to 54s. 3d. and the new to 55s. 3d. before easing slightly.

Electrical stocks drifted back a little and motors were again depressed on Tuesday; A.C.V., however, rose to 63s. following the report. De Havilland rose to 26s. 6d. on rumours of a substantial order for Comets. Hoover "A" advanced to 53s. on the new capital reorganisation proposals, but returned to 51s. unchanged on the week, after profit-taking. Cottons and rayons weakened once more, Lancashire Cotton falling to 27s. 9d. following the report. British Celanese fell to 20s. 9d. and Courtaulds to 42s. Dorman Long were sharply lowered after the dividend announcement. They lost 2s. 7½d. to 32s. 10½d. on Friday and contributed to a general fall in steel stocks. Stewarts and Lloyds fell to 72s. 6d. and Colvilles to 37s. 4½d. on Tuesday.

Oil shares were mixed, British Petroleum losing 1s. 3d. to 105s., while Shell rose ¼ to 7½ xd. British Borneo rose to 45s. 7½d. on favourable reports of tests in the Jerudong oilfield. Kaffirs improved slightly, but copper shares were easier.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Dec. 14...	198.6	99.51	4.42	5.16
" 15...	197.9	99.56	4.40	5.18
" 16...	197.1	99.56	4.40	5.20
" 19...	196.5	99.59	4.41	5.21
" 20...	195.9	99.47	4.42	5.23
1955, High.	223.9	115.97	Total bargains 1955	
" (July 21)	175.7	(Jan. 7)		
" Low..	175.7	98.23		
" (Mar. 15)	184.0	(Sept. 2)		
1954, High.	184.0	118.10	" 16	7,572
" (Dec. 31)	131.1	(Nov. 18)	" 19	9,060
" Low..	131.1	(Jan. 5)	" 20	7,457

* July 1, 1935=100. † 1928=100.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Dec. 20		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Dec. 14, 1955	Price, Dec. 20, 1955	Net Yield, Dec. 20, 1955 %	Gross Yield, Dec. 20, 1955 %	Prices 1955 Jan. 1 to Dec. 20		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Dec. 14, 1955	Price, Dec. 20, 1955	Yield, Dec. 20, 1955 %
High	Low							High	Low						
100 1/2	96 1/2	Funding 2 1/2% '52-57	97 1/2	97 1/2	3 7/8	0	4 11/16	46/6	34/6	4 a	STEEL & ENGINEERING		38/1	38/1 1/2	5 4 11
100 1/2	97 1/2	War Bonds 2 1/2% '54-56	98 1/2	98 1/2	3 8/8	5	2 0/1	13/10 1/2	10/-	10 1/2 b	6 B.S.A. £1		12/10 1/2	12/10 1/2	5 8 9
100 1/2	93	War Loan 3% '55-59	94 1/2	94 1/2	3 5/5	4	13 2/1	39/3	27/-	3 a	3 1/2 Cammell Laird 5/-		38/3	37/4 1/2	5 17 9
99 1/2	98 1/2	Conversion 4% '57-58	99 1/2	99 1/2	2 11/9	4	6 1/1	36/7 1/2	23/-	8 c	8 c Dorman Long £1		35/1 1/2	32/4 1/2	4 18 10
100 1/2	96 1/2	Serial Funding 2 1/2% 1957	96 1/2	96 1/2	3 8/0	4	8 9	54/-	31/2 1/2	20 c	3 1/2 Guest Keen N'fold £1		51/6	50/6	3 19 2m
99 1/2	91 1/2	Conv. 2% 1958-59	92 1/2	92 1/2	3 14/10	4	12 3/1	79/9	42/-	5 a	12 1/2 Stewarts & Lloyds £1		74/-	72/6	4 16 7
97 1/2	89 1/2	Exchequer 2% 1960	90 1/2	90 1/2	3 12/3	4	11 11	47/9	27/6	6 1/2 b	4 a Summers (John) £1		44/6	43/9	4 11 5m
104 1/2	92 1/2	Exchequer 3% 1960	94 1/2	94 1/2	3 0/4	4	8 8	50/-	28/6	6 b	4 a United Steel £1		47/3	47/1 1/2	4 4 10
100 1/2	83 1/2	Savings Bonds 3% '55-65	87 1/2	87 1/2	3 5/10	4	14 7/1	47/10 1/2	34/-	6 b	2 1/2 Vickers £1		42/-	41/10 1/2	4 1 2
100 1/2	86 1/2	Funding 2 1/2% '56-61	89 1/2	89 1/2	3 12/4	4	15 10 1/2								
97 1/2	78 1/2	Funding 3% '59-69	82 1/2	82 1/2	3 7/9	4	16 10 1/2	30/4 1/2	19/6	6 b	4 a Bradford Dyers £1		23/9	23/9	8 8 5
103 1/2	89 1/2	Funding 4% '60-90	91 1/2	91 1/2	4 10/5	5	7 7 e	35/-	20/9	7 b	3 a Brit. Celanese £1		21/10 1/2	20/9	9 12 9
96 1/2	77 1/2	Savings Bonds 3% '60-70	81 1/2	81 1/2	3 7/4	4	17 0/1	29/6	22/10 1/2	6 1/2 b	2 1/2 Coats (J. & P.) £1		23/10 1/2	24/-	7 5 10
102 1/2	87 1/2	Exchequer 3% '62-63	90 1/2	90 1/2	3 2/4	4	9 4 1/2	55/3	35/-	6 b	4 a Courtaulds £1		44/3	42/-	4 15 3
99 1/2	82 1/2	Exchequer 2 1/2% '63-64	85 1/2	85 1/2	3 8/4	4	11 10 1/2	34/1 1/2	24/6	5 a	7 1/2 Lancs. Cotton £1		28/7 1/2	27/9	9 0 2
95 1/2	77 1/2	Savings Bonds 2 1/2% '64-67	80 1/2	80 1/2	3 11/6	4	16 0/1	36/0 1/2	28/-	2 1/2 a	10 b Patons & Baldwins £1		31/6	30/6	8 4 0
94 1/2	75 1/2	Savings Bonds 3% '65-75	79 1/2	79 1/2	3 3/9	4	14 0/1								
105 1/2	91 1/2	Victory 4% '20-76	95 1/2	95 1/2	2 16/6	4	13 0/1	22/11 1/2	17/4 1/2	6 1/2 b	5 1/2 Bristol Aeroplane 10/-		21/3	20/6	9 15 1
98 1/2	78 1/2	Funding 3% '66-68	84 1/2	84 1/2	3 7/10	4	16 8/1	15/9 1/2	8 10 1/2	4 a	8 1/2 British Motor 5/-		9/0 1/2	8/10 1/2	7 0 10
103 1/2	83 1/2	Conv. 3 1/2% 1969	88 1/2	88 1/2	3 2/12	4	15 11 1/2	27/10 1/2	21/3	7 1/2 c	Nil c De Havilland £1		24/4 1/2	26/6	Nil
98 1/2	80 1/2	Treas. 3 1/2% '77-80	83 1/2	83 1/2	2 19/8	4	13 2/1	60/-	37/-	15 c	2 1/2 Ford Motor £1		47/9	46/4 1/2	3 4 8 1/2
99 1/2	80 1/2	Treas. 3 1/2% '79-81	84 1/2	84 1/2	2 19/0	4	13 3/1	73/6	43/1 1/2	5 a	12 1/2 Hawker Siddeley £1		73/6	71/-	4 18 8
88 1/2	68 1/2	Redemption 3% '86-96	72 1/2	72 1/2	2 17/11	4	10 4/1	52/9	33/6	25 c	30 c Leyland Motors £1		44/-	44/3	4 10 5m
95 1/2	78 1/2	Funding 3 1/2% 1999-2004	81 1/2	81 1/2	2 14/2	4	8 10 1/2	133/1 1/2	71/3	12 1/2 b	5 a Rolls Royce £1		117/6	116/10 1/2	2 19 11
97 1/2	82 1/2	Consols 4% aft. Feb. '57	86 1/2	86 1/2	2 14/0	4	14 7/1	12/3 1/2	6/10 1/2	12 c	12 c Standard Motor 5/-		8/2 1/2	8/-	7 10 0
88 1/2	73 1/2	War L'n 3 1/2% aft. Dec. '52	76 1/2	76 1/2	2 12/5	4	11 4/1								
89 1/2	72 1/2	Conv. 3 1/2% aft. April '61	76 1/2	76 1/2	2 12/9	4	12 1/1	21/7 1/2	12/6	17 1/2 b	3 a Boots Pure Drug 5/-		18/-	17/6	3 18 7 1/2
78 1/2	63 1/2	Treas. 3% aft. April '66	66 1/2	66 1/2	2 12/2	4	11 1/1	47/6	33/10 1/2	7 1/2 a	20 b Debenhams 10/-		36/6	35/10 1/2	7 13 11
66 1/2	54 1/2	Consols 2 1/2%	56 1/2	56 1/2	2 10/9	4	8 2/1	56/9	35/10 1/2	45 b	15 a G.T. Universal 5/-		40/10 1/2	40/1 1/2	7 9 6
66 1/2	54 1/2	Treas. 2 1/2% aft. April '75	56 1/2	56 1/2	2 11/1	4	9 2/1	114/-	92/-	17 1/2 b	5 a Lyons (J.) 'A' £1		95/-	93/9	4 16 0
99 1/2	97 1/2	Br. Elec. 4 1/2% '67-69	98 1/2	98 1/2	2 15/6	4	15 0/1	76/-	58/6	30 b	17 1/2 Marks & Spens 'A' 5/-		69/3	68/-	3 9 10
94 1/2	75 1/2	Br. Elec. 3% '68-73	80 1/2	80 1/2	3 5/2	4	14 11/1	71/9	55/-	36 1/2 b	20 a Woolworth 5/-		62/6	61/4 1/2	4 1 8 1/2
93 1/2	75 1/2	Br. Elec. 3% '74-77	79 1/2	79 1/2	3 2/6	4	12 8/1								
109 1/2	90 1/2	Br. Elec. 4 1/2% '74-79	95 1/2	94 1/2	2 15/7	4	13 10 1/2	139/-	68/6	14 b	5 1/2 British Petroleum £1		108/1 1/2	105/-	2 17 1 1/2
98 1/2	80 1/2	Br. Elec. 3 1/2% '76-79	83 1/2	83 1/2	2 19/7	4	13 2/1	95/5 1/2	50/-	7 1/2 a	13 1/2 Burmah £1		71/10 1/2	68/10 1/2	3 0 11 1/2
105 1/2	88 1/2	Br. Gas 4% '69-72	92 1/2	92 1/2	2 19/4	4	16 6/1	64	50/1	10 b	6 a Royal Dutch 100 d		61 1/2	62	2 8 8
102 1/2	82 1/2	Br. Gas 3 1/2% '69-71	87 1/2	87 1/2	3 1/9	4	15 0/1	158/9	109/9	10 1/2 b	5 1/2 Shell Reg. £1		139/4 1/2	142/6	3 13 0
88 1/2	71 1/2	Br. Gas 3% '90-95	73 1/2	73 1/2	2 17/4	4	9 4/1	44/6	26/9	5 1/2 a	16 1/2 Trinidad L'holds 5/-		40/7 1/2	40/-	4 13 11
94 1/2	76 1/2	Br. Trans. 3% '68-73	80 1/2	80 1/2	3 5/2	4	14 11/1								
105 1/2	87 1/2	Br. Trans. 4% '72-77	90 1/2	90 1/2	2 17/9	4	14 0/1	37/3	25 1/2	1 b	2 1/2 Cunard £1		26/3	26/-	7 10 0
88 1/2	70 1/2	Br. Trans. 3% '78-88	73 1/2	73 1/2	3 0/0	4	11 2/1	61/-	45/-	12 c	14 c Furness Withy £1		48/3	48/-	5 16 8

(e) To earliest date. (f) Flat yield. (d) To latest date. * Ex dividend.
† Assumed average life approx. 12 years. § Less tax at 8s. 6d. in £.

Prices, 1954		Prices, 1955 Jan. 1 to Dec. 20		TRUSTEE STOCKS AND FOREIGN BONDS	Price, Dec. 14, 1955	Price, Dec. 20, 1955	Yield, Dec. 20, 1955
High	Low	High	Low				
97 1/2	90 1/2	94 1/2	79	Aust. 3 1/2% '65-69	82 1/2	82 1/2	£ s. d. 5 0 6
101 1/2	97 1/2	101 1/2	87	Ceylon 4% '73-75	88 1/2	88 1/2	4 18 7
106 1/2	98 1/2	103 1/2	87 1/2	N. Zealand 4% '76-78 . .	87 1/2	87 1/2	4 18 7
79 1/2	71 1/2	75 1/2	61	L.C.C. 3% aft. 1920 . . .	62 1/2	63 1/2	4 14 6
99 1/2	95 1/2	99 1/2	83	Liverpool 3% '54-64 . .	85 1/2	85 1/2	5 2 7
87 1/2	80 1/2	84 1/2	65	M. Wtr. 'B' 3% '34-2003	68 1/2	69 1/2	4 11 6
104 1/2	100 1/2	102 1/2	94 1/2	Agric. Mort. 5% '59-89	97 1/2	97 1/2	5 3 8
109 1/2	71 1/2	122 1/2	91	German 7%	108	107	...
168 1/2	102 1/2	213 1/2	149	German 5 1/2%	186 1/2	186 1/2	...
171 1/2	132 1/2	211 1/2	160	Japan 5% 1907	208 1/2	208	...
198 1/2	167 1/2	254 1/2	190	Japan 5 1/2% Conv. 1930	250 1/2	249	...

Prices, 1955 Jan. 1 to Dec. 20		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Dec. 14, 1955	Price, Dec. 20, 1955	Yield, Dec. 20, 1955 %
High	Low							
58/7 1/2	45/9	7 b	5 a	Barclays £1	48/6	48/9	4 18 6	
76/7 1/2	55/4	15 c	6 a	Lloyds 'A' £5, £1 pd.	56/3	56/-	5 7 2 1/2	
89/3	70/9	18 c	9 a	Midland £1, fully pd.	72/-	71/9	5 0 4	
87/-	66/3	18 c	9 a	N. Prov. 'B' £5, £1 pd.	69/3	68/9	5 4 8	
96/10 1/2	74/-	8 b	8 a	Westminster 'B' £4, £1 pd.	74/6	75/-	5 6 8	
69/-	43/9	8 1/2 b	3 1/2 a	Alexanders £1	45/-	44/6	5 12 4	
58/6	45/-	7 b	5 a	Nat. Disc. 'B' £1	47/-	47/-	5 2 2	
60/-	46/-	12 1/2 c	6 1/2 a	Union Disc. £1	47/6	47/6	5 3 9	
40/1 1/2	31/3	4 a	4 b	Barc. (D.C.O.) £1	33/6	33/6	3 19 7 1/2	
51/9	40/6	7 1/2 b	7 1/2 a	Chart. Bk. of India £1	42/6	42/-	7 2 10	
21 1/2	14 1/2	40 c	12 1/2 a	Leg. & Gen. £1	19 1/2	19 1/2	3 12 2	
28	20 1/2	45 1/2 b	20 1/2 a	Pearl £1, fully pd.	23 1/2	23 1/2	4 17 1	
55 1/2	41 1/2	112 1/2 c	117 1/2 c	Prudential 'A' £1	47 1/2	47 1/2	4 6 0	
141/-	116/3	10 a	33 b	Bass £1	120/-	119/6	7 3 11	
34/9	22/-	10 1/2 b	6 a	Distillers 6/8	23/9	23/6	4 13 7	
49/6	39/-	8 a	17 b	Guinness 10/-	44/9	44/9	5 11 8	
93/9	68/-	14 b	7 a	Whitbread 'A' Ord. £1	69/6	68/6	6 2 7	

* 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 16-1%. (h) Assumed maintenance of final dividend on increased capital. (i) On 10 1/2%. (j) On 15%. (k) On 12%. (l) To latest date. (m) On 10%. (n) On 8%. (o) On 22-1%. (p) On 37 1/2%. (q) On 6 1/2%. (r) On 13 1/2%. (s) On 9 1/2%. (t) On 13 1/2%. (u) On 9 1/2%. (v) On 7 1/2%. (w) On 14%. (x) On 12 1/2%.

New York Closing Prices

Dec. 14	Dec. 20	Dec. 14	Dec. 20	Dec. 14	Dec. 20
46 1/2	46 1/2	50 1/2	49	111	111
33 1/2	33 1/2	46 1/2	46 1/2	20	20
43 1/2	43 1/2	20 1/2	20 1/2	108	108
25 1/2	25 1/2	88 1/2	87 1/2	61 1/2	62 1/2
178 1/2	178 1/2	53 1/2	55	147 1/2	151 1/2
9 1/2	9 1/2	46 1/2	45 1/2	57 1/2	57 1/2
6 1/2	6 1/2	63 1/2	63 1/2	57 1/2	60
21 1/2	21 1/2	81 1/2	81 1/2	47 1/2	47 1/2

Statistics

The following list shows the most recent date on which each statistical page appeared.		BRITISH		OVERSEAS	
Prices and Wages.....	Dec. 3rd	Production and Consumption.....	Dec. 10th	Western Europe Production and Trade.....	Dec. 3rd
Manpower.....	Dec. 17th	Financial Statistics.....	This week	British Commonwealth.....	Dec. 10th
External Trade.....	Oct. 15th	Industrial Profits.....	Oct. 15th	Western Europe Prices and Money Supply.....	Dec. 17th
				United States.....	This week
				World Trade.....	Oct. 15th

UK External Trade

Imports are valued c.i.f.; exports f.o.b. Total trade unless otherwise stated.

Unit	Monthly averages	
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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	...	41	48	85	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	120	100	120	229.8	71.86	71.86
1955, July	110.5	89.5	114.7	112.1	103.2	119.9	118	102	116	318.8	76.36	76.44
" August	110.9	88.1	114.5	111.2	103.4	120.0	119	102	117	315.3	76.33	76.56
" September	111.7	89.3	114.9	111.6	104.6	120.4	...	...	...	326.6	77.71	77.63
" October	111.6	86.8	114.9	110.8	104.6	120.8	...	...	...	310.2	78.50	...
" November	111.2	84.1	...	...	...	...	...	...	...	...	79.52	...

PRODUCTION AND MANPOWER

	Gross national product Seasonally adjusted annual rate	Total industrial production	Manufacturing production						Building New construction Seasonally adjusted annual rates	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 and petroleum products					
	\$ billion	Index 1947-49=100 ; seasonally adjusted						\$ billion	thousands	% rate			
1939	91.1	58	49	54	47	66	80	49	8.2	56,230	45,750	17.2	
1953	364.5	134	153	132	189	118	107	142	35.3	63,815	62,213	2.5	
1954	360.5	125	137	108	175	116	100	142	37.6	64,468 ¹	61,238 ¹	5.0	
1955, July	391.5	{	139	155	134	203	126	110	160	42.5	67,465 ¹	64,994 ¹	3.7
" August			140	158	139	206	125	107	159	42.3	67,726 ¹	65,488 ¹	3.3
" September			142	160	146	205	127	109	163	42.4	66,882 ¹	64,733 ¹	3.2
" October			143	162	147	209	128	112	161	41.8	67,292 ¹	65,161 ¹	3.2
" November			144	163	150	210	129	113	163	41.6	67,206 ¹	64,807 ¹	3.6

TRADE

	Personal consumption Annual rates	All business *		Total retail *		Imports for US consumption			Exports of US merchandise		Volume of trade	
		Sales	Stocks	Sales	Stocks	Total	Crude materials	Semi-manufactures	Total	Finished goods	Imports	Exports
		\$ billion; seasonally adjusted				\$ million			1936-38=100			
1939	67.6	10.8	20.1	3.5	5.5	190	62	41	260	139	94	113
1953	230.6	48.4	80.3	14.2	22.7	898	217	224	1,304	911	158	262
1954	236.5	46.7	76.9	14.2	22.1	853	200	193	1,247	811	146	253
1955, May	250.5	51.7	78.3	15.4	23.0	959	237	236	1,313	845	167	262
" June	...	52.2	78.8	15.4	23.2	942	243	236	1,309	807	164	264
" July	...	51.9	79.2	15.3	23.4	879	220	211	1,257	773	155	254
" August	256.0	52.8	79.6	15.7	23.3	959	250	254	1,225	749	167	246
" September	...	53.3	79.9	15.8	23.2	951	...	...	1,244	...	...	...
" October	...	...	...	15.7	...	...	...	...	1,384	...	...	...

PURCHASING POWER AND FINANCE

	Personal income			Consumer credit		Banking statistics*		Budget expenditure*		Bond yields		
	Total	Labour income	Farm income	Total	Instalment	Investments	Loans	Total	Surplus or deficit	3-month Treasury bills	Taxable Govt. bonds	Corporate Aaa bonds
	\$ billion; seasonally adjusted annual rates			\$ billion; end of period		\$ billion; end of period		\$ billion		Per cent per annum		
1939	72.9	46.6	4.3	7.22	4.50	23.4	17.2	9.0	- 3.9	0.023	...	3.01
1953	286.2	204.6	12.3	29.54	22.19	78.1	67.6	74.3	- 9.4	1.931	2.93	3.20
1954	287.6	202.8	12.0	30.13	22.47	85.3	70.6	67.8	- 3.1	0.953	2.53	2.90
1955, May	301.4	214.2	10.9	31.57	24.15	81.7	73.8	5.4	- 0.9	1.491	2.76	3.04
" June	301.6	214.9	10.5	32.47	24.91	80.1	75.2	6.7	+ 3.4	1.432	2.77	3.05
" July	305.3	219.4	9.8	32.90	25.48	80.4	76.6	5.4	- 2.6	1.622	2.88	3.06
" August	305.3	218.2	10.6	33.64	26.16	79.3	77.3	6.2	- 1.5	1.876	2.91	3.11
" September	307.9	219.5	11.3	34.29	26.70	78.9	78.4	5.3	+ 0.2	2.086	2.88	3.13
" October	309.6	220.7	...	34.64	26.96	...	...	...	...	2.259	2.82	3.10

(*) Figures calculated on the basis of a new and larger sample. (*) 1939 figures not strictly comparable with rest of series; stocks are at end of period.
(*) All commercial banks. (*) Annual figures are totals for the fiscal year ended June 30th.

EXCHEQUER RETURNS

For the week ended December 17th there was an "above-line" deficit (after allowing for Sinking Funds) of £17,943,000 compared with a deficit of £33,538,000 in the previous week and a deficit of £21,696,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £26,903,000, bringing the total cumulative deficit to £742,885,000 (£571,303,000 in 1954-55).

£'000	Estimate, 1955-56	April 1, 1954 to Dec. 18, 1954	April 1, 1955 to Dec. 17, 1955	Week ended Dec. 18, 1954	Week ended Dec. 17, 1955
Ord. Revenue					
Income Tax	1877,400	627,864	668,642	17,808	18,590
Sur-tax	136,000	45,400	42,900	1,800	1,900
Death Duties	185,000	130,900	126,900	4,000	3,300
Stamps	74,000	52,570	51,700	1,600	1,400
Profits Tax E.P.T.	130,000	128,100	146,300	2,700	2,400
Excess Profits Levy	25,000	60,650	15,500	1,050	200
Special Contribution and other Inland Revenue	1,000	830	350	...	...
Total Inland Rev.	2478,400	1046,314	1052,292	28,958	27,790
Customs	1131,700	811,312	841,048	20,521	21,763
Excise	811,050	550,488	606,700	5,070	5,760
Total Customs and Excise	1942,750	1361,800	1447,748	25,591	27,523
Motor Duties	80,000	20,040	23,514	...	122
PO (Net Receipts)	...	8,450	9,250	2,850	250
Broadcast Licences	25,000	12,600	14,800	...	...
Sundry Loans	24,000	20,761	26,402	...	145
Miscellaneous	175,000	114,193	113,160	6	631
Total	4725,150	2584,158	2687,166	51,705	56,461
Ord. Expenditure					
Debt Interest	600,000	405,733	457,375	...	386
Payments to N. Ireland Exchequer	53,000	31,957	37,148	...	...
Other Cons. Fund.	10,000	5,346	6,489	...	198
Supply Services	3898,850	2420,722	2482,575	73,400	73,100
Total	4561,850	2863,758	2983,587	73,401	73,684
Sinking Funds	36,000	24,910	24,730	...	720
"Above-line" Surplus or Deficit		304,510	321,151	21,696	17,943
"Below-line" Net Expenditure		266,793	421,734	24,435	26,903
Total Surplus or Deficit		571,303	742,885	46,131	44,846
Net Receipts from:					
Tax Reserve Certificates	246,725	138,990	197	1,458	...
Savings Certificates	25,000	11,500	1,700	...	...
Defence Bonds	8,600	19,537	1,673	1,005	...

FLOATING DEBT

(£ million)					
Date	Treasury Bill		Ways and Means Advances		Total Floating Debt
	Tender	Tap	Public Dep'ts	Bank of England	
1954					
Dec. 18.....	3,440.0	1,727.1	262.2	...	5,429.3
1955					
Sept. 17.....	3,450.0	2,036.2	251.0	...	5,737.2
" 24.....	3,480.0	2,000.0	263.4	...	5,743.4
" 30.....	5,498.3		258.4	...	5,756.7
Oct. 8.....	3,480.0	2,025.9	260.1	...	5,766.0
" 15.....	3,470.0	1,810.2	272.3	2.3	5,554.8
" 22.....	3,440.0	1,868.5	272.3	...	5,580.7
" 29.....	3,440.0	1,871.4	258.2	5.0	5,574.6
Nov. 5.....	3,450.0	1,834.1	253.8	0.3	5,538.1
" 12.....	3,470.0	1,806.2	249.9	...	5,526.1
" 19.....	3,500.0	1,856.5	284.2	...	5,640.7
" 26.....	3,520.0	1,854.7	271.4	2.0	5,648.1
Dec. 3.....	3,530.0	1,891.2	248.1	...	5,669.3
" 10.....	3,530.0	1,936.1	251.0	...	5,717.1
" 17.....	3,530.0	1,992.4	237.7	2.0	5,762.1

Financial Statistics

THE MONEY MARKET

The offer at the Treasury bill tender yesterday comprised £280 million of 91 day bills only. The offer of 63 day bills at the seven preceding tenders reached a total of £380 million, which will swell the maturities in the phase of greatest seasonal stringency; by early March, the Exchequer accounts normally revert to deficit.

The offer at the tender on Friday last included £60 million of 63 day bills; the market reduced its bid by 1d., to £99 5s. 10d. per cent; this raised the discount rate to just over 4½ per cent, and re-established a margin above the rate on the three months bills (which remained at just over 4¼ per cent). Total applications for the shorter bills rose by £17.4 million, to £78.6 million, and the market's allotment fell from 80 to 75 per cent; but applications for the 91 day bills slumped by nearly £75 million to £286.4 million, so that despite the cut of £20 million in the offer, to £220 million, the allotment at the minimum rate rose from 50 to 69 per cent. The market's allotment of both maturities together rose from 56 to 71 per cent.

Credit in Lombard Street was in abundant supply before the week end but in the first three days of this week the surplus of funds disappeared. The Bank made small special purchases on Monday and Wednesday, but on Tuesday market supplies of credit were adequate.

Sterling has weakened slightly in the past week to close at \$2.80½ on Wednesday.

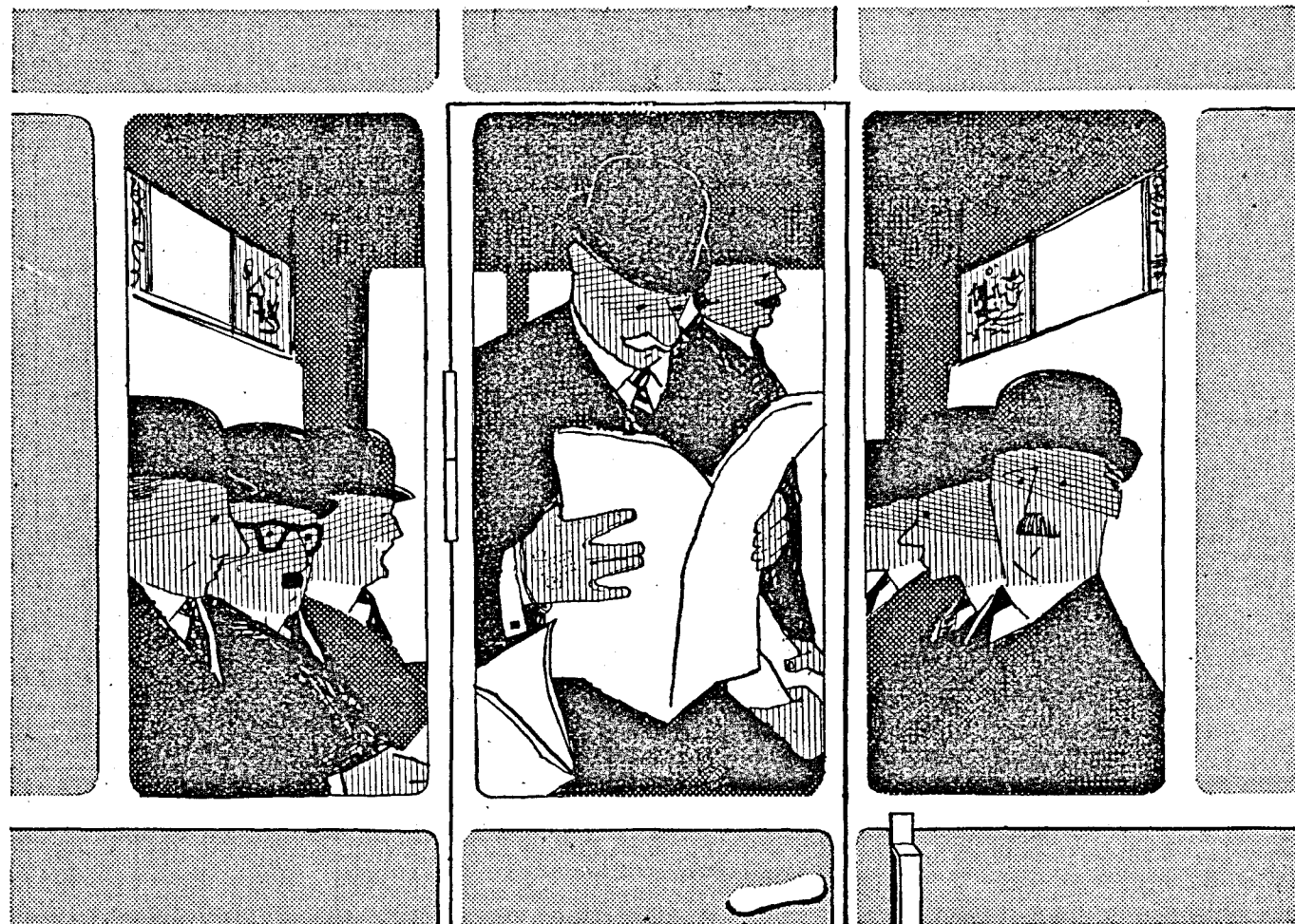
LONDON MONEY RATES

Bank rate (from 31% 24/2/55)	%	Discount rates	%
		Bank bills	60 days
Deposit rates (max)	4½	3 months	4½-4¾
Banks	2½	4 months	4½-4¾
Discount houses	2½	6 months	4½-4¾
Money Day-to-day	2½-3½	Fine trade bills	
Short periods	2½-3½	3 months	5-5½
Treas. bills 2 months	4½	4 months	5-5½
" 3 months	4½	6 months	5½-6

* Call money.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	Market Rates : Spot						
	December 20	December 14	December 15	December 16	December 17	December 19	December 20	
United States \$	1-78-2-82	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	2-80-2-80	
Canadian \$		2-80-2-80	2-80-2-80	2-80-2-80	2-79-2-80	2-80-2-80	2-80-2-80	
French Fr.	972-65-987-35	983-984	983-983	983-983	982-983	982-982	981-982	
Swiss Fr.	12-15-12-33	12-25-12-25	12-25-12-25	12-25-12-25	12-25-12-25	12-25-12-25	12-24-12-25	
Belgian Fr.	138-95	139-82	139-80	139-80	139-82	139-81	139-77	
	141-05	139-87	139-85	139-85	139-87	139-87	139-82	
Dutch Gld.	10-56-10-72	10-62-10-63	10-62-10-62	10-62-10-62	10-62-10-62	10-62-10-63	10-62-10-63	
W. Ger. D-Mk.	11-67-11-84	11-74-11-75	11-74-11-74	11-73-11-74	11-73-11-73	11-73-11-73	11-73-11-73	
Portuguese Esc.	79-90-81-10	80-05-80-20	80-00-80-15	80-00-80-15	80-00-80-15	80-00-80-15	80-00-80-10	
Italian Lire	1756-1762	1760-1761	1760-1761	1759-1760	1759-1760	1759-1760	1758-1759	
Swedish Kr.	14-51-14-59	14-52-14-52	14-52-14-52	14-51-14-52	14-51-14-52	14-51-14-52	14-51-14-52	
Danish Kr.	19-33-19-48	19-33-19-34	19-33-19-34	19-33-19-34	19-33-19-34	19-33-19-34	19-33-19-34	
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	
One Month Forward Rates								
United States \$	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	
Canadian \$	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	
French Fr.	1-10-pm-par	1-10-pm-par	1-10-pm-par	1-10-pm-par	1-10-pm-par	1-10-pm-par	1-10-pm-par	
Swiss Fr.	2-14-c. pm	2-14-c. pm	2-14-c. pm	2-14-c. pm	2-14-c. pm	2-14-c. pm	2-14-c. pm	
Belgian Fr.	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	1-8-c. pm	
Dutch Gld.	2-14-c. pm	2-14-c. pm	2-14-c. pm	2-14-c. pm	2-14-c. pm	2-14-c. pm	2-14-c. pm	
W. Ger. D-Mk.	1-14-lpf. pm	1-14-lpf. pm	1-14-lpf. pm	1-14-lpf. pm	1-14-lpf. pm	1-14-lpf. pm	1-14-lpf. pm	
Italian Lire	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	2 pm-par	
Swedish Kr.	16 pm-par	16 pm-par	16 pm-par	16 pm-par	16 pm-par	16 pm-par	16 pm-par	
Danish Kr.	26 pm-par	26 pm-par	26 pm-par	26 pm-par	26 pm-par	26 pm-par	26 pm-par	
Norwegian Kr.	Par-26 ds	Par-26 ds	Par-26 ds	Par-26 ds	Par-26 ds	Par-26 ds	Par-26 ds	
Gold Price at Fixing								
Price (s. d. per fine oz.)	249/4	249/4	249/5	...	249/6	249/7		



The man who can't save money

That's the man in the bowler. "Can't save a penny," he says—and believes it; though he is, in fact, one of Britain's most stalwart savers. Because of a simple decision he made some years ago, he is saving and buying security almost without knowing it—he is buying Life Assurance.

The greatest method of regular saving in this country is through Life Assurance—both personal policies and pension schemes. In this way Life Assurance acts as an important anti-inflationary influence. It also provides much-needed capital for the equipment of British industry, on which depend our standard of living and our ability to compete abroad.

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THE UNITED KINGDOM
THE BRITISH COMMONWEALTH AND
ELSEWHERE ABROAD

*The Company undertakes the duties of
Executor and Trustee*

BARBER TEXTILE CORPORATION LIMITED

YEAR ENDED—31st JULY 1955.

Consolidated Accounts show—				
Issued Capital				£
4/- Ordinary Shares	...	...	...	892,596
Premium on Shares	...	...	...	98,473
Reserves and Undistributed Profits	...	...	...	1,411,628
Surplus (including Net Current Assets				
£1,223,368 and Government Securities				
£79,061)	...	...	...	2,402,697
Profits	...	...	...	301,208
Taxation	...	...	...	165,531
Profits (net)	...	...	...	135,677
Dividends (net)	...	...	...	£75,648
Paid on Ordinary (subject to Income				
Tax)	...	...	...	15%
Increase in Reserves including Undis-				
tributed Profits	...	...	...	£122,822

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.

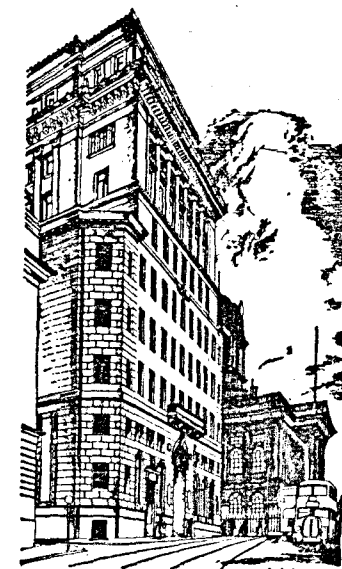


BANK OF MONTREAL

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in
LONDON, LEEDS,
LIVERPOOL,
MANCHESTER,
BIRMINGHAM
and
NEWCASTLE upon TYNE

Head Office

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AGENTS ALL OVER THE WORLD

MARTINS BANK LIMITED

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 30th June, 1955) £330,928,759

COMPANY MEETINGS

HEENAN GROUP LIMITED

(Formerly Heenan and Froude Limited)

YEAR OF EXPANDING TRADE

EXCEPTIONAL LEVEL OF NEW ORDERS

MR CHARLES L. HILL REPORTS CONTINUED PROSPERITY

The fifty-third annual general meeting of Heenan Group Limited was held on December 19th at Worcester Engineering Works, Worcester, Mr Charles L. Hill (the Chairman) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended September 3, 1955:

It is said that behind every peak there is a valley but since your Company was made public in 1936, the valleys in the net profits have been few and then very shallow as is indicated by the gradual rise from £23,000 in 1936 to this year's Group net profit, before taxation, of £449,485 which compares with £395,657 last year. Taxation takes £232,449 against £228,429 and, after deducting outside shareholders' minority interest of £27, the net profit of the Group is £217,009 which, at the same level, compares with £167,199 in 1954. The proceeds of the sale of a trade investment, previously written off, of £15,000 have been carried direct to Appropriation Account.

It has been a year of expanding trade with the value of goods delivered by the Group surpassing all previous records and new orders reaching an exceptional level; at the close of the year the Group order books stood at £5,750,000, an increase over last year of £1,450,000. With activity at this level, it has not been possible to maintain the improved cash position of last year, credit balances having been reduced from £247,322 to a net £39,429.

WAGES AND DIVIDENDS

Having regard to the continued prosperity of your Company and to the recent comparisons which have been made between increases in wages and dividends on a national scale, it is relevant to record that the average weekly wage paid by the Company in 1954-55 represented an increase of 181 per cent over that paid in 1938-39. If the 1954 Ordinary Dividend of 17½ per cent were repeated this year, the corresponding increase, allowing for bonus issues, would be 40 per cent, but your Board is recommending a final payment of 15 per cent, making 20 per cent for the year, which represents an increase of 61 per cent over 1939 and at that still only one-third the rate of the wage rise. The disparity is emphasised by relating these figures to the fall in the purchasing value of the £ since 1939, the worth of 20s. then being about 8s. 8d. today, or to put it another way, the wage increase means that for every 20s. pre-war the employee now receives the equivalent in purchasing power of 24s. 4d. compared with the shareholders' equivalent of 13s. 10d.

It is pertinent to add that Group wages, salaries and other payments for the benefit of employees during the year under review amounted to £1,603,185. Gross dividends on Preference and Ordinary Shares total £122,207.

On January 1, 1955, a non-contributory Works Pension Scheme was introduced for

the benefit of male Works employees in the Group. The Scheme, which provides a form of benefit supplementary to the State pension, is a contribution towards the security and well-being of employees.

COST FACTOR AND FOREIGN COMPETITION

Your Directors are in no way against high wages, on the contrary they recognise the right of all to an improved standard of living; as businessmen, however, they must also recognise that overseas buyers are not going to help in providing that standard if they can buy cheaper from foreign manufacturers. Already some overseas contracts have been taken by subsidiaries at prices below cost to beat competition, but it is obvious that there is a limit to this kind of trading and many orders have been lost because of price. If prewar price levels of imports and exports stood in the same relation to each other today we would indeed be living in a land of plenty, but it is not sufficiently appreciated that a fundamental change has taken place in our postwar world trading in that we must export a far greater volume of manufactured goods to obtain the same volume of imports.

The financing of the increased cost of production and the high replacement cost of machinery and plant and other assets have increased working capital requirements which, in the long run, can only be met either by issue of new capital or by retention of profits. The issued capital of your Company has increased substantially since 1939, mainly to cover the acquisition of other companies and it has been the policy of your Directors to meet the annual need for additional working capital by relatively high appropriations of profits to revenue reserves. The record level of orders, a large part of which is in long-term contracts, and the need in certain countries to offer not less favourable credit terms than foreign competitors, will make heavy demands on the Group's resources during the next few years, and your Board has therefore appropriated £150,000 to General Reserve. The Supplementary Pension Reserve of £30,000 is no longer required for that specific purpose and has been transferred to General Reserve, bringing the total to £710,000, which, with the carry forward on Profit and Loss Account, represents 90 per cent of the total issued capital.

SUBSIDIARIES

All the operating companies in the Group have had a good trading year and without exception much thought and effort has been given to the further development and improvement of existing products and to the search for additional products suitable for manufacture within the Group.

Heenan and Froude Limited.—The Engine Test Plant Section has again been heavily engaged in the design and development of plant outside the normal range, including a high performance dynamometer rated for a

maximum duty of 10,000 HP at 10,000 RPM, a special plant for the testing of aeroplane wheels and brakes and a Chassis Dynamometer Test Plant capable of carrying out research on a wide range of vehicles. A new type dynamometer for testing small powers at exceptionally high speeds has also been introduced and the prototype has operated satisfactorily up to 47,000 RPM. Hydraulic and Dynamic Dynamometers in the standard range have been delivered in substantial numbers to home and overseas customers, together with a wide range of equipment for testing aircraft engines.

The demand for *Eddy-Current Couplings* continues to expand, orders again being 30 per cent up on last year. These couplings are being widely adopted by manufacturers of all kinds of plant and for new industrial processes. To cater for fractional powers, the "Heenatron" system of electronically controlled DC Motors operated from AC supply has been introduced successfully.

Sales of *Industrial Coolers* in the Heenan range have been maintained at a high level and eleven sizes in the Heenan-Marley range of Cooling Towers, to which I referred last year, are now being marketed.

In the *Automatic Machine Section* last year's improved trend in sales has been maintained.

The value of the contracts received in the *Municipal Engineering Division* during the year was an all-time record, ranging from small industrial incinerators to large-scale refuse incinerators and screening and handling plants for Municipalities.

HOME AND OVERSEAS SALES

The balance of the large Russian orders placed with *Fielding and Platt Limited*, referred to in my Statement last year, together with a considerable intake of other home and export orders, has resulted in a most satisfactory production output. It is particularly encouraging to note that during the year a substantial order has been received from USA, and prospects in Canada are also hopeful in the face of strong American and Continental competition. Considerable orders have also been received from Australia, covering both manufacture at home or by the Company's Australian licensees. The Management is alive to the fact that the trend towards automation calls for close study, and considerable development effort has been directed towards improvements in the range and reliability of such of the Company's products which come under this heading. Research into more fundamental problems continues with the aid of leading scientific consultants, and results in several directions are promising. Every effort is being made to strengthen the technical staff, and the apprentice training scheme continues to give useful results in providing a flow of fielding-trained young engineers on whom the Company's future will largely depend.

The plant at *Court Works Limited* has

been fully employed throughout the year and a record output was achieved. Although this foundry is already partly mechanised, steps are being taken to improve and extend the mechanisation as far as practicable to off-set the shortage of labour in the industry.

DIESEL LOCOMOTIVES

In common with other members of the locomotive industry *W. G. Bagnall Limited* finds it increasingly difficult to obtain foreign orders for steam locomotives and the traditional overseas markets are fast being lost to foreign manufacturers on price. The re-entry to the Diesel, mechanical locomotive market some two years ago has been successful, however, and orders for this type now represent about one-half the total order book.

The trading of *Industrial Waste Eliminator Limited* in a complete range of abattoir

and animal by-products plant and equipment continues to expand, largely as a result of extensive foreign travel by senior executives, and a record value of orders has been booked. The strength of this subsidiary's position in its own sphere is emphasised by its appointment during the year as Consultants to the Yugoslav authorities charged with construction of a programme of new abattoir and bacon factories throughout that country.

Morton Machine Company Limited, for long specialists in the manufacture of mixing machines for the food trade, has in recent years extended its interests to the mixing trade generally and has benefited from the larger market. Its activities have been further widened by the production of jigs, tools and prototype machines for customers and by taking up a licence to manufacture mixing machines for the chemical and plastic trades.

Associated Locomotive Equipment Limited has had a successful year, there being an increasing demand for the Company's precision equipment during the period under review, particularly for the export field in meeting the requirements of overseas railways. Following the outstanding success on British Railways with equipment of the latest design, a substantial repeat order is at present in hand. In view of the future motive power requirements of railways, the Company has been closely engaged on development work.

The results for the year reflect great credit on the management, staff and works employees of the Group Companies and I know it would be your wish to join the Directors in conveying to them our appreciation of their efforts. Our thanks are also due to the Agents of the Group throughout the world for their support and co-operation.

The report and accounts were adopted.

TURNER & NEWALL LIMITED

VERY SATISFACTORY RESULTS

INCREASED DEMAND FOR PRODUCTS

MR W. W. F. SHEPHERD'S REVIEW OF OPERATIONS

The Annual General Meeting of Turner & Newall Limited will be held on January 10, 1956, at the Chartered Accountants' Hall, Manchester, when it is expected that Mr W. W. F. Shepherd, the Chairman of the Company, will preside.

Mr Shepherd's Statement to the Stockholders has been circulated to them with the Report and Accounts and, after dealing with the accounts of the Company, it contains a detailed review of the Company's operations during the year to September 30, 1955, both at home and abroad.

The following are extracts from the Statement:

Demand for most of the basic asbestos textile products of Turner Brothers Asbestos Company, Limited, has continued at a high level throughout the year. Some additional capacity has already been brought into commission at the Rochdale factory under the long-term modernisation scheme, but this has not proved sufficient to meet steadily increasing requirements. It is expected, however, that the position will be largely relieved by further plant installations during the current year, principally at Rochdale, but also in the new textile and plastics factory at Hindley Green, the construction of which is now well advanced.

The existing factory at Hindley Green for the manufacture of belting products has operated at full capacity in practically all sections, the most noteworthy feature being the successful completion of the initial programme of plant installation and modification in connection with the manufacture of fire-resisting conveyor belting for underground use in collieries. Further technical improvements are under consideration in this field, and also in the manufacture of V-section transmission belts. Good progress has also been made with the new manufacturing unit for the production of belting ducks, which is now well established. The results achieved so far encourage the belief that substantial commercial and technical advantages will be derived from the progressive development of this unit.

ASBESTOS TEXTILE PRODUCTS

Production of asbestos textile products and of treated fibres for use as Sprayed

"Limpet" Asbestos has been well maintained at the Leeds factory of J. W. Roberts Limited, and further steady progress in the latter field should be made possible by recent technical developments. During the year, this Company took over responsibility for the "Ferobestos" range of technical plastics from Ferodo Limited, opening temporary offices for the purpose in Bolton. These are adjacent to the intended site of new premises, construction of which will commence early in 1956.

A substantial increase has been achieved in the trading activity of Glass Fabrics Limited, the recently acquired subsidiary company in Northern Ireland concerned with the manufacture of glass textile products, but attention has been chiefly concentrated on laying solid technical and commercial foundations for future expansion. It is believed that this will bear fruit progressively during the ensuing year.

FERODO LININGS

During the past year Ferodo Limited has continued to experience increased demand for brake and clutch linings and other friction materials, and the volume of sales was the greatest ever recorded. The higher turnover relates to both home and export markets—the latter in spite of particularly intense competition and dock strikes. The substantial addition to the Chapel-en-le-Frith factory, to which I referred last year as being in progress, has been completed, but this additional capacity was hardly sufficient to enable production to keep pace with the growing demand. Further expansion of output is planned during the current year as the Company proceeds with the installation of significant additional and replacement plant. In parallel with this investment in plant, new production techniques are being developed which will result in increased efficiency and offset difficulties arising from shortage of labour.

A new distribution and service depot has been built and opened in Sheffield to provide our motor, engineering and other trade customers in the area with greater facilities than could be extended when the district was served from the Company's Leeds Depot. Reference has already been made

to the fact that responsibility for the "Ferobestos" range of technical plastics has been transferred from Ferodo Limited to J. W. Roberts Limited. This will enable greater concentration to be given to the marketing of the other products of Ferodo Limited, as well as permitting fuller and separate attention to the growing possibilities in the plastics field.

ASBESTOS CEMENT COMPANY

The experience of Turners Asbestos Cement Company Limited during the year confirms the encouraging prospects to which I referred a year ago; there has been an active demand for the Company's products for all types of building both at home and in the developing countries overseas, and although conditions generally were strongly competitive, results achieved are very close to the records established in the previous year. The excellent reputation of "Everite" asbestos cement pressure pipes continues to be of great assistance in the expansion of export markets, and the present year promises well, both at home and overseas. Last year I referred to a welcome improvement in demand for the products which are supplied to the electrical industry under the trade marks, "Sindanyo" and "Siluminite"; our hopes that this would be maintained were well founded as the improvement continued throughout the year.

Research and development work continues to be most rewarding, not only in the evolution of new products, which have been well received and are selling in increasing volume, but also in the achievement of greater economy in the use of raw materials and, what is perhaps still more important under today's conditions, in the employment of labour. Satisfactory progress continues to be made in the Company's programme for the modernisation of plant and buildings. Although intensive competition continues, prospects for the coming year are good; at home, however, the position will be influenced by the effects of the credit policy of the Government, but subject to this the Company is likely to continue to operate at a high level of activity for some time to come.

WASHINGTON CHEMICAL COMPANY

The demand for the products of The Washington Chemical Company Limited during the year under review continued at a satisfactory level. While there were signs of a slight easing in the demand from certain specialised fields of consumption, the development of special forms of magnesia for industrial uses has taken place, with the result that the Company's total volume of sales, both at home and overseas, reveals a gratifying increase on the previous year's figures. Contracts completed by Newalls Insulation Company Limited in heat, cold and sound insulation have exceeded the record figures reported last year.

Despite a diminution in the construction of large passenger ships, the Marine Contracts Department of the Company has been fully employed on oil tankers and cargo vessels, etc. Land contracts carried out included the insulation of power stations and important chemical plants throughout the country. Newalls' well-known 85 per cent Magnesia and Asbestos insulations are predominant in this type of work. Export business in insulation materials continues to develop favourably, and visits of officials to several overseas territories have assisted in consolidating the position previously established.

SATISFACTORY VOLUME OF EXPORTS

The total volume of export business from our United Kingdom factories during the past year showed an increase over the satisfactory figures of the previous year. This increase would have been greater except for the effects of the dock strikes, and consequently I think we can regard our position in the export field as very satisfactory.

This year your Board recommend a final dividend of 20 per cent on the Ordinary Stock, making, with the interim dividend of 5 per cent already paid, a total distribution of 25 per cent for the year. This compares with last year's total distribution of 22½ per cent, and your Directors consider it to be satisfactory. Trading profits are not basically different from those of a year ago, nor does the charge against such profits for taxation vary greatly, but changes in both these items are in the right direction and, after due consideration of prevailing National Conditions, your Board have felt justified in recommending the modest increase in question.

THE OUTLOOK

In my statement of last year I indicated that while we could not expect continuously to be able to report increasing profits, we considered ourselves well equipped to take our full share of whatever business was available at home or overseas. This proved to be the case during the past financial year and I consider its results to be very satisfactory.

Dealing with the future, however, we cannot see very far ahead, and while the conditions in the early part of our current financial year remained favourable, there are, here and there, indications that the strong demand which is now being experienced may not be maintained throughout the whole of this financial year. At present, however, the demand is very satisfactory and our overseas companies in particular appear momentarily to have emerged from the trough which was their portion a year ago.

Accordingly, our expectation is that for the first half of the current period we shall remain highly prosperous but, so far as the second half is concerned, we can only hope that this condition will be maintained.

THE BRITISH MOTOR CORPORATION

TARGET FIGURE EXCEEDED

NEW MODELS AND DEVELOPMENTS

The fourth Annual General Meeting of the British Motor Corporation was held on December 15th at Longbridge. Sir Leonard Lord, KBE, Chairman and Managing Director, presided.

The following extracts are from the Chairman's Statement which has been circulated to Shareholders:

This is the Golden Jubilee year of the Austin Motor Company. If you look round the factory today you will see that we are still installing masses of new machinery and will notice considerable building activity. I hope you will regard this as a good augury for the future. From the accounts no doubt you have drawn the conclusion that the year has been a good one.

The range of models now on sale from the British Motor Corporation reflects the development which is taking place. We have kept well up to the schedule we set. At the moment we are ahead in what is called "Automation," but new methods of production are continually being introduced all over the World.

During the year under review the production of the Corporation was 418,705 Vehicles, against 353,834 for the previous year, an increase of 18 per cent. Increased output necessitates increased sales effort, particularly abroad. We must export to live and Motor Vehicles are among the most important of British exports.

Can the planned expanding output of the Motor Industry be sold and, if the Home Market contracts, can the Export Market take the balance? As far as this Corporation is concerned I believe the answer is "Yes," but we have to contend with the growing strength of foreign competition and the adverse effect of rising costs of wages and materials. Any further increase of wages anywhere in this Country must be accompanied by an equivalent increase in efficiency and output. Rising costs have forced many manufacturers to increase selling prices.

We have decided to maintain present levels as long as possible. This means that the savings made by improved methods and high production machinery are passed to our customers. We know that we offer better value for money because of the excellence of our manufacturing equipment, the volume of our production and the extent of our purchases.

During the year we introduced a range of new models all of which have been well received. They comprise BMC Diesel Engines, a new MGA Sports car, the Morris "Isis," and a complete range known as the "Series III" Commercial Vehicles, both for Morris and Austin. In addition an automatic gear box is now fitted on the "Austin Princess" and Overdrive as an extra on some of the smaller models.

Home Market saturation will not come because of lack of demand. It is more likely to arise from the irritations caused by delays on our archaic roads and the inescapable effect which such delays have on the costs of every industry in Great Britain.

COMPETITION MORE SEVERE

Competition has become much more severe, and will continue to do so. Maintaining our selling prices at their present levels could mean reduced profits. Therefore, whilst I have little doubt that we shall be

able to sell our output it would be unreasonable to expect profits in the current year to be higher than for the year under review. In fact, despite increased turnover, they could be lower.

Our objective is always efficiency coupled with the maximum rate of production. This enables us to offer the lowest possible selling prices consistent with high quality and dependable design and construction.

We believe that your Company has already embarked on Profit-sharing in its best possible form. Last year a further Non-contributory Comprehensive Scheme was introduced to benefit check employees on death or retirement at an approximate cost of £400,000 a year. This brings the Company's total contribution to Pension and Benefit Schemes to over £800,000 a year.

This money can be regarded as tax-free income in the hands of the employees and is guaranteed to the recipients before shareholders receive anything at all. A simple calculation shows that it is more than the shareholders would receive from a 4 per cent distribution on the Ordinary Shares.

The criticism of lack of spares abroad certainly is not true in the case of BMC. We have never opened a new market nor shipped new models abroad, without sufficient spares to give service within 24 hours. The production of both current and obsolete spares is rapidly increasing, and a much more ample supply of spares of every kind is now available. Extensive new buildings have been put up at Cowley to cope with the extra volume, and additional staff is being engaged both in the factories and on the sales and distributive side.

The report and accounts were adopted.

DICTOGRAPH TELEPHONES LIMITED

HOME AND EXPORT SALES EXPANSION

The nineteenth annual general meeting of Dictograph Telephones Limited was held on December 15th in London, Mr Philip V. Summer (the chairman) presiding. The following is an extract from his circulated statement:

During the year under review further progress has been made by your Company both in home sales and in the export trade.

The Consolidated Profits of the Group before Taxation amount to £166,502, against £160,065. An amount of £86,725 is reserved for taxation, leaving £79,777 net profit, as compared with £68,692 last year.

Our principal product is the world-famous Dictograph Loudspeaking Internal Telephone System. The Dictograph System has of late years been combined with automatic dialling equipment under the name of Dictomatic. This has proved very popular with our users, and sales of this type of equipment were doubled in the year under review.

In addition, your Company also sells or rents Loudspeaker Staff Location Systems for Offices and Factories. Your Company also markets Clock Systems, and these in turn are frequently coupled to Time Recorders and Job Costers. We are thus able to offer a very complete communication service to all organisations. Grampian Reproducers Limited does a considerable home and export trade in high quality Loudspeakers, Amplifiers, Radio Units, Microphones, etc.

Your Company's reputation is second to none, and its prestige has never stood higher than at the present time.

The report was adopted and a total distribution of 20 per cent approved.

BRITISH OVERSEAS MINING ASSOCIATION

The tenth annual general meeting of the British Overseas Mining Association was held on December 19th, at 49, Moorgate, London, E.C.

Mr J. Ivan Spens, President of the Association, who was in the chair, said:

During the past year, the Association maintained its usual close watch over all developments likely to affect the overseas mining industry.

In January, 1955, the Association addressed a letter to the Chancellor of the Exchequer making various suggestions for tax reforms designed to give much-needed assistance to the industry but decided, having regard to the atmosphere created first by the General Election and later in the year by Government pre-occupation with national financial difficulties, that further representations in pursuance of those suggestions should be postponed until more favourable conditions developed.

ROYAL COMMISSION'S REPORT

In June last the Royal Commission on the Taxation of Profits and Income issued its final report. The Association had made submissions to that body, both in writing and in the course of oral hearings, regarding the urgent need of more enlightened tax treatment to assist United Kingdom mining companies in holding their position with companies in other countries where there are more favourable systems of taxation.

After careful study of the Royal Commission's final report, the Association recognises that it represents a considerable effort to remove anomalies from the present tax system in general. We welcome in particular the Royal Commission's realistic analysis of the profits tax and its recommendation that the differential rate of profits tax on distributed profits, with all its absurd complexities, should be abandoned in favour of a flat-rate tax. We hope that the Chancellor's recent decision to increase the differential tax on distributed profits to the highest level ever set is no more than a temporary expedient and that he will in due course give effect to the Royal Commission's recommendation that the differential be abolished.

We are greatly disappointed, however, that, in spite of our urgent representations, the report fails to recommend any specific solution of the more important problems peculiar to the overseas mining industry, to which we drew attention in our submissions.

We regret the outright rejection by the Royal Commission of our claim for a percentage depletion allowance similar to the allowances which have been incorporated in the tax systems of Canada, the United States of America, Rhodesia and Australia to the great benefit of the mining industries of those countries. We are sorry, too, that the Royal Commission could not see their way to accept our plea for the more elastic treatment of depreciation allowances which, in our opinion, is justified by the special circumstances of our industry.

We regard it as particularly unfortunate that the report fails to recommend a broadening of the double taxation relief system to allow relief for special types of overseas taxes, such as royalties or export duties, which are levied in many countries on mining enterprises. The inflexibility of the system in this respect bears very hardly on a number of member companies of our Association. One of these companies, for instance, quoted figures at a recent general meeting which show that its total profits after taxation over

the last four years would have been higher by about 80 per cent if the principal tax levied by the country in which it operates had been a tax on income, and as such admissible for double taxation relief, instead of an export duty.

"OVERSEAS TRADE CORPORATIONS"

The Association has examined with great interest the Royal Commission's recommendation that United Kingdom companies operating entirely abroad should be classed as "overseas trade corporations" and exempted from United Kingdom taxation in respect of their undistributed profits. This recommendation goes some way towards satisfaction of the claims put forward by the Association in oral evidence to the Royal Commission that overseas profits should be entirely exempted from United Kingdom taxation or, if complete exemption was impracticable for the time being, that there should be a differential tax rate for profits earned overseas.

There is no likelihood in the present fiscal climate of any further expansion of the overseas mining industry through new mining companies registered in the United Kingdom; this statement is underlined by the fact that since the end of the war, during a period of great activity in world mining, only one such company has been incorporated here.

The Association thinks, however, that the introduction of the idea of "overseas trade corporations" might encourage the establishment of companies in this country for the operation of mines overseas, although the success of this innovation would be more certain if it were accompanied by other tax reforms on the lines suggested in the Association's submissions to the Royal Commission. It is hoped, therefore, that legislative effect will be given at the earliest possible date to the Royal Commission's recommendation for the establishment of "overseas trade corporations" and that, in defining such corporations for the purpose of legislation, the Chancellor and his advisers will take the broadest view of the advantages, economic and otherwise, that would be gained by effective stimulation of this country's overseas mining industry.

METAL STATISTICS

Before closing, I would like to refer, as my predecessors as President of the Association have done, to the work of the British Bureau of Non-Ferrous Metal Statistics, the value of which has been enhanced during the year under review by the expansion of its monthly Bulletin to include tables showing world smelter production of copper and zinc; the prompt statistical information given in the Bulletin is greatly appreciated in many quarters.

Every effort is being made to reduce the net cost of the Bulletin but, in the meantime, the Association, which participates actively in the administration of the Bureau through membership of its Council and Advisory Committee, considers its work of sufficient importance to justify continued financial support.

The report and accounts were adopted.

Mr S. E. Taylor was elected President and Mr A. M. Baer Vice-President of the Association for the forthcoming year.

The meeting terminated with votes of thanks to the President, the Secretary Mr R. A. Alldred, and to the Taxation Committee for their services during the past year.

CALOR GAS HOLDING COMPANY LIMITED

INCREASED PROFITS

MR W. L. M. O'CONNOR'S SPEECH

The seventh annual general meeting of Calor Gas Holding Company Limited, was held on December 16th, in London, Mr W. L. M. O'Connor, CBE (chairman of the company), presiding.

The following are extracts from his statement, circulated with the report and accounts for the year ended July 31, 1955:

The profits, after charging £20,000 for cylinder maintenance to the provision made in a previous year, amount to £543,187, an increase of over £82,000. The circumstances in which the £20,000 was so charged were similar to those obtaining in the previous year.

During the year to July 31, 1955, the cost of new cylinders amounted to £276,199, making the total expenditure during the seven years to July 31, 1955, £2,544,000; the charge for depreciation on cylinders and other assets amounted to £374,328, as compared with £341,325 for the previous year.

Taxation on the profits for the year amounted to £271,951, and includes provision for the additional Profits Tax on distributed profits imposed by the Autumn Budget, in so far as it affects the Company in respect of the dividend recommended for the year to July 31, 1955.

The Directors have transferred £24,187 to Special Reserve in respect of the Investment Allowances. The Directors have also transferred £175,000 to General Reserve, and this, together with the transfer to Special Reserve, and taking into account the increase in the Profit and Loss balance carried forward, namely, £2,410, makes a total of £201,597 retained in the business out of the year's profits.

TURNOVER AGAIN INCREASED

The Chairman last year informed you of the reduction in our cylinder hire charges on June 1, 1954, and our turnover has again increased. The Scottish Company's business has continued to expand, and good progress has been made in Northern Ireland and the Republic of Ireland.

The transfer of £175,000 to General Reserve brings the General Reserve Account up to £350,000, and a final dividend of 25 per cent is recommended, making, with the interim, a total of 37½ per cent for the year.

Turning to the Consolidated Balance Sheet, you will see that current assets have increased by over £100,000, and that they exceeded current liabilities and provisions by £340,836, against £196,057 at July 31, 1954.

With regard to the current year, I have the following comments to make. Our new Filling Station at Millbrook, near Fawley, is expected to commence operations in April, 1956.

We have introduced a new lightweight cylinder of 10 lb capacity to our existing range of cylinders. This cylinder is very easily transportable, and has been specially designed for use with blow torches, gas pokers, a portable fire unit and a picnic stove. We are confident that there will be a ready demand for it.

In the absence of any unexpected change in Trading Conditions, I anticipate that we can again look forward to another satisfactory year.

The report was adopted.

KENDALL & GENT (Machine Tool Makers)

A SATISFACTORY YEAR'S TRADING

MR F. C. MOSLEY'S REVIEW

The Annual General Meeting of Kendall & Gent, Limited, was held on December 16th at the Company's Office, Victoria Works, Gorton, Manchester.

Mr F. C. Mosley (Chairman and Managing Director) who presided, said: This is our 109th Annual General Meeting. I am happy to welcome you to it. 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 very satisfactory.

As I told you last year the yard was having a roof put on; this has now been completed and those of you who have had time to look round will appreciate the advantages of this very valuable additional floor space. No more structural alterations have been undertaken during the period, but all necessary repairs have been carried out.

As I pointed out last year, we were no longer enjoying a "sellers'" market in overseas countries, and that we were meeting with greater competition in those markets. We are, however, members of a large selling organisation, which is most ably represented in all overseas countries, and no stone is being left unturned to help us to improve the position.

Next year in June, 1956, there will be another international exhibition at Olympia, London, and your firm is busy preparing new machines for the stand. We are all looking forward to this exhibition, especially with

regard to the large number of important overseas visitors who usually attend this event.

The good results for the past year have only been possible because of the order book we started the year with. While I stated last year that the orders "on hand" were considered to be satisfactory, I told you that the large output for last year had exceeded the intake of orders for the same period, though only by a small amount, and I went on to say that I was glad that since the close of the year we had received some very nice orders. To-day I am more than glad to be able to say that the influx of orders was well maintained during the year and has again been quite satisfactory since the close of the year.

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. We have also spent a large amount of money on plants, which is today right up to date, and we have an excellent lot of skilled workmen.

The net profit for the year (including investment income and after charging management and all other expenses and directors' fees) amounts to £135,557. This sum is slightly less than last year due to increased costs of labour and materials. All necessary repairs have been carried out and more new machinery has been installed during the year—£6,468 and a further amount of machinery is ordered for this year costing £16,282. The amount required for depreciation this year is £15,722 against £16,822.

The net profit is £119,835 against £139,836. We are again making full provision for taxation by reserving the sum of £63,000. This figure is the full provision covering all our taxation liabilities including income tax and profits tax. This year your directors have decided to recommend placing

£20,000 to general reserve fund and have increased the carry forward by £10,000.

With regard to the subsidiary company we are glad to report another successful year. During the year all necessary repairs have been carried out and the new crane has been installed. The figure at which this company stands in our books is £60,000 which is considered by your directors to be a very conservative one.

Now we come to the capital reserves. During the year we have taken £50,000 from this figure and have distributed the amount as a bonus of "one share for three" making a total issued capital of £200,000, but with the £20,000 we have placed to general reserve account and the dividend equalisation reserve, the total reserves still remain at £150,000 and we shall have a "carry forward" of £58,311. You are aware the same interim dividend of 5 per cent was paid on the old capital, but a final dividend has been maintained at 10 per cent with a bonus of 10 per cent making 20 per cent on the whole of the new capital less income tax.

The capital of the company was increased in 1953 by a bonus of £30,000 and this year again we have distributed a bonus of £50,000. I am sure you will all agree that it is a great achievement to pay a large dividend on the increased capital. From the balance sheet you will see that the current liabilities and provisions are £25,871 more. Current assets £43,918 greater. Cash in hand at bank £11,234 more. Stocks of materials down by £27,608. Debtors and payments in advance greater by £60,292.

As in the past I am most anxious to place on record my profound thanks for the very splendid loyal services which have been rendered to your company, not only by the executive staff but by everyone who is on the payroll of this firm. The report and accounts were adopted.

THE STRAND HOTEL LIMITED

The forty-eighth annual general meeting of The Strand Hotel Limited was held on December 20th in London, Mr S. I. Salmon, the Chairman, presiding.

The following are extracts from his Statement, which had been circulated with the Report and Accounts for the year ended September 30, 1955:

This year the balance from the Trading Account shows little change compared with the previous year, but due to variations in other items in the Profit and Loss Account, principally an increase in the amount of interest received and a lower charge for income tax, the profit for the year is £6,304 higher, at £69,266.

For some years the balance available has not permitted any increase in the dividend on the Participating Preferred Ordinary Shares, but this year the Board is pleased to be able to raise the dividend from 12 per cent to 14 per cent, which was the rate just before the War.

We have continually emphasised the difficulties which beset the hotel and catering industry, and we make no apology for referring to them again this year. Operating costs, particularly wages, continue to rise. Increased efficiency can go some way towards meeting such a situation, and no new or improved technique is being neglected, but this obviously has its limits, and in the long run increased charges to the customer are inevitable. Even so, we have no doubt that our tariff represents as good value as can be obtained anywhere.

The report and accounts were adopted.

THE MIDLAND TAR DISTILLERS LIMITED

YEAR OF STEADY PROGRESS AND DEVELOPMENT

MR STANLEY ROBINSON ON BOARD'S POLICY OF MODERNISATION

The thirty-third Annual Meeting of The Midland Tar Distillers Limited was held on December 16th at Oldbury. Mr Stanley Robinson (the chairman) presided and in the course of his speech said:

The trading profit for the year at £391,864 shows an increase of some £60,000 compared with the profit of the previous year. The charge for depreciation at £214,879 is £53,500 higher than last year, an increase which inevitably follows the increased capital expenditure during recent years. It will be noted that although our trading profits have increased by £60,000, the charge for income tax has been reduced by £7,000 to a figure of £163,364 compared with £170,493 last year. This is partly due to the reduction in the standard rate of tax, but more particularly to the interesting point to which reference is made in note 3 on page 11 of the accounts. The 1954 Finance Act gave an investment allowance in respect of capital expenditure on new assets incurred after April 6, 1954, and during the current year the taxation charge has been reduced by £30,000 in respect of this allowance. The allowance was given by the Chancellor as a direct incentive to industry to modernise its plant, and we have thought it right to recommend an increased appropriation to the reserve for obsolescence and increased replacement costs, which means that the benefit of this allowance will be carried to a capital reserve.

Your directors further recommend that an appropriation of £50,000 be made to general reserve, and these appropriations, together with the dividend of 10 per cent less tax on the ordinary shares, leave the balance of unappropriated profit carried forward to next year almost exactly the same as the figure brought in at the beginning of the year.

I do not think that there are any special features about the balance sheet to which I should draw your attention.

In spite of the expenditure of about £350,000 on fixed assets during the year, the total of our current assets shows a slight increase, and we still have over £500,000 on loan to local authorities and at the bank. I think you will agree, therefore, that our liquid position remains very satisfactory.

CAPITAL EXPENDITURE

The year has been a good one of steady progress and development all round. We have spent a lot of money on improvements and extensions, and it is gratifying to note that the expenditure is beginning to bear fruit. One of these improvements which will interest you is that we are now generating our own electric power, both at Four Ashes and Oldbury, in agreement (of a reciprocal nature) with the Midlands Electricity Board.

As you will have noted on the balance sheet, we have capital commitments amounting to £250,000, which is good reading, for it means progress and further development. I think you would be interested in a breakdown of this figure, which falls under three main headings:

I. Expenditure, mostly of a non-revenue nature which is supplementary to the original capital programme. The new works at Four Ashes was erected as speedily as possible and

everything which was not absolutely essential was postponed until the process plants were in operation. Some of these delayed items have now been found to be necessary and have been constructed. An example of this type of expenditure is the widening and curbing of works and approach roads.

II. Expenditure on additional plant to provide increased capacity on established processes or, alternatively, in order to give greater flexibility, thus enabling a wider variety of products to be manufactured.

III. Expenditure on plant for new processes arising out of work done by the company's Research and Development Departments.

Your board would be failing in its duty if it did not stress that as time goes on many of your plants will become obsolete or, for one reason or another, will have to be replaced. We have approximately £3,500,000 invested in plant and sundry equipment, and although we have gone some way in the provision of funds (in the form of depreciation), we must supplement this out of our own taxed resources. That is why we must continue to build up our obsolescence and increased replacement costs reserve.

An example of what I mean has actually occurred this year, as we have closed and dismantled Birkenhead and Wolverhampton works, each for a different reason. Tar has been distilled on the Wolverhampton site since January 12, 1857. Obviously one does not like taking such a step, but the works had become obsolete, and modern plant capacity had been provided, designedly, at Oldbury and at Four Ashes.

TRADING ACTIVITIES

As I have said, the year has been one of steady progress and development. The intake of crude tar has been a record and, generally speaking, the prices of our products have been steady throughout the year.

Our subsidiary in the United States of America is well established, and the sale of tar acids in that country is considerably up on last year's figures. We are now delivering in bulk to the States, which shows considerable advantages.

Our deliveries of creosote to Imperial Chemical Industries Limited over the year have been somewhat reduced, due to certain internal difficulties experienced in their works.

Sales of coal tar fuels and of refined tar for road purposes have increased, and it would seem that we are benefiting in some small degree from the recent road grants.

Export pitch, due to the reasons I gave you last year, is a declining market.

Reverting to the question of research and development: we are spending large sums on research which, as already indicated, is beginning to show returns. Our main research activities are carried out at Four Ashes. We have a first-class team, ably led. One should never be optimistic about the forthcoming results of research, but I'm afraid I am!

The report and accounts were adopted and a dividend of 10 per cent on the ordinary shares was approved.

CORONATION SYNDICATE (Incorporated in the Union of South Africa)

The Fiftieth Annual General Meeting of Coronation Syndicate Limited was held on December 5th in Johannesburg. The Chairman, Mr J. H. Mitchell, OBE, presided, and in the course of his speech said:

During the year under review your Company has continued to make most satisfactory progress. Total mine working profits this year amount to £191,561, in comparison with £162,049 for the previous year and £158,910 in respect of the year before that. I think you will agree that this is a most satisfactory record of improvement.

During the year under review your Directors decided to introduce the practice of paying an interim dividend and accordingly, a dividend of 7½ per cent was paid last August. I am glad to say that your Directors consider that the financial position and prospects of your Company justify a final dividend of 12½ per cent. I think you will agree that a total distribution of 20 per cent for the year is a reasonable reflection of the progress which has been made in the earning capacity of your Company's assets.

Arcturus Mine: Operations at the Arcturus Mine continued satisfactorily throughout the year.

The working profit for the year was £37,918 in comparison with £39,212 during the previous year. The slight drop was due to the cost of extra development footage accomplished. The rate of working profit since the end of the financial year has increased to approximately £5,000 per month. It is anticipated that this level will be maintained until the new plant comes into operation towards the end of 1956 when further improvement in profits can be expected.

Muriel Mine: The new reduction plant is crushing and treating over 3,000 tons monthly and metallurgical results are very satisfactory. 38,453 tons were crushed and treated during the year, in comparison with 28,912 tons for the previous year. A working profit of £10,000 monthly has been maintained.

During the twelve months to June 30, 1955, 338 tons of copper were produced and in addition 4,458 fine ounces of gold were recovered from the copper concentrates shipped overseas.

Development results have been very satisfactory.

Tebekwe Mine: You will remember in my address to you last year I said that it was anticipated that a monthly profit of around £1,000 could be expected for the coming year. This rate of profit was exceeded, resulting in a working profit for the year of £16,332, compared with £29,948 for the preceding year.

Since June the Mine has continued working at the same rate of profit and it is hoped that it will be maintained until all available ore underground has been exhausted.

The ore reserves at June 30, 1955, were calculated to be 19,020 tons valued at 3.48 dwts. per ton, showing a decrease of 29,990 tons on the estimate at June 30, 1954. The considerable reduction in the ore reserves shows clearly, I regret to say, that the life of the Tebekwe Mine is drawing to a close.

Butterfly Mine: At the Butterfly Mine operations continued on a small scale and a gross working profit of £1,437 resulted.

Vubachikwe Mine: After negotiation this Mine was sold to the tributors for £25,000 which, I think you will agree, was a very satisfactory price.

The report was adopted.



CROWN ZELLERBACH CORPORATION

(Incorporated in the State of Nevada, United States of America)

MANUFACTURERS OF PULP, PAPER AND ALLIED PRODUCTS,
LUMBER, PLYWOOD AND OTHER FOREST PRODUCTS

CONDENSED SUMMARY OF CONSOLIDATED RESULTS FOR SIX MONTHS ENDED OCTOBER 31

	1955	1954 (as amended)
Net sales	\$169,579,000	\$154,044,000
Income before taxes on income	\$33,749,000	\$29,369,000
United States and Canadian taxes on income	\$14,945,000	\$13,164,000
Net income	\$18,727,000	\$16,135,000
Dividends declared	\$9,573,000	\$7,920,000
Earnings retained in the business	\$9,154,000	\$8,215,000
Additions and improvements to properties	\$16,509,000	\$14,721,000
Shares of common stock outstanding October 31	11,072,131	10,933,023*
Per share of common stock outstanding:		
Income before taxes on income	\$2.99	\$2.63*
Net income	\$1.63	\$1.42*
Dividends paid to common stockholders	\$0.80	\$0.67*
Retained in the business	\$0.83	\$0.75*
Production:		
Paper and paperboard—in tons	603,669	549,008
Lumber—in thousands of board feet	79,718	83,442
Plywood—in thousands of square feet	35,681	27,220

* Giving effect to common stock split-up in September, 1955.

Copies of the quarterly report to October 31, 1955, may be obtained from the London Transfer Agents, The British Empire Trust Company, Limited, 3, Lombard Street, London, E.C.3, on application.

Residents in the British Isles, whose shares are not registered in their own names, and other interested parties who wish their names placed on the mailing list for future communications, should notify the London Transfer Agents accordingly.

THE LIVERPOOL WAREHOUSING COMPANY LIMITED

60th ANNUAL GENERAL MEETING

CHAIRMAN'S STATEMENT

The Sixtieth Annual General Meeting of The Liverpool Warehousing Company Limited was held on December 20th in Liverpool.

The following statement by the Chairman, Mr W. Milligan, was circulated to the stockholders prior to the meeting:

The Profit and Loss Account depicts quite clearly the results of the year. In brief, it shows a trading profit of £99,173 which includes a Dividend from our Subsidiary, The Sandon Motor and Engineering Company, Limited. After the various adjustments set out in the Directors' Report have been taken into account and the carry forward from the previous year brought in, there is a disposable amount of £213,723, which has been appropriated as follows: £15,000 to General Reserve, £79,889 for payment of Final Dividends and £118,834 to be carried forward.

You will note that the Company's Capital and Reserves now stand at £2,887,246, which is £51,613 higher than the previous year. The book value of our quoted investments shows no material change, but there was an increase in the market value at the Balance Sheet date.

Plant, Transport and Equipment, after providing for depreciation, shows a net increase of £122,520, which is largely attributable to additions to the Company's fleet of road haulage vehicles.

The trading results for the year under review will, I am afraid, be a disappointment to you. A drop in profit as substantial as that which we have suffered, coming after the particularly satisfactory figures we have had for the last six years, is, to say the least, disconcerting.

The possibility of a reduction in the demand for warehouse accommodation has been anticipated by us for some time past. Our views were based largely upon Cotton stocks, which we felt sure would diminish under existing trading conditions. In this respect our forecasts have proved correct. The quantity of unsold Cotton stored in Liverpool at the present time is much below what it must be if the Liverpool Cotton Exchange is to regain its former position as one of the leading Cotton Markets in the world.

I would remind you that the Company was originally founded largely upon the handling and storage of Cotton. Indeed, at one time, it contributed 75 per cent of the Company's revenue. We have the premises and the men to deal with a very large quantity of this commodity, and it is to be hoped that events will, before long, bring about a renewal of a substantial stock in Liverpool.

We were prepared, as I have indicated, for less favourable trading conditions, but we actually encountered something that could not be foreseen. I refer to the disastrous results, not only to our business but to the business of the country as a whole, brought about by the two strikes which occurred on the docks and the strikes of railwaymen and of tugmen. These four labour disturbances caused a rapid outflow of stocks from warehouses to keep the factories going and the population fed while supplies direct from the port were disrupted. Ships which were bound for Liverpool were diverted to other ports and this prolonged the period during which a number of our warehouses remained empty. At one time, in order to reduce expenses, and more particularly the very high

local rates that are levied on our premises, we were obliged to close over 70.

I should like to take this opportunity to draw attention to the modern transit sheds we have constructed in the immediate vicinity of the docks. These premises offer the most up-to-date facilities for the temporary storage of import and export cargo, and at the same time make a useful contribution to the lessening of costly delays to ships and road transport caused by congestion on the quays.

As you will have gathered from the remarks I have made in previous years, an object we have constantly in mind is the provision of revenue additional to the basic one of warehousing in order to stabilise the Company's earnings.

The enlargement of our fleet of road vehicles was embarked upon with this end in view, and I am glad to say that we are making good progress in this field. In the first year, there have been heavy charges to absorb in respect of depreciation and repairs to the vehicles we acquired from the British Transport Commission, but the whole fleet is being profitably employed and we look for steadily improving results.

The Sandon Motor and Engineering Company, Limited, has maintained its higher earnings, and if the Motor Manufacturers we represent had managed to fulfil all the orders we have obtained for goods and passenger vehicles, we should have done much better.

I would again like to record our appreciation of the loyal and satisfactory manner in which all our employees have fulfilled their duties.

The Report and Accounts were adopted.

HILLS (WEST BROMWICH)

CONTINUED PROGRESS AND EXPANSION

The twenty-second annual general meeting of Hills (West Bromwich) Limited was held on December 16th at West Bromwich, Mr John MacNish, CA (the Chairman), presiding. The following is an extract from the Chairman's circulated statement:

The Accounts for the year to July 31, 1955, indicate the continued progress and expansion of the Group. The balance on Trading Account shows an improvement from £231,138 to £262,351. The profit before taxation of £73,413 (£87,160) is £171,274 (£143,097), leaving an amount available for distribution of £97,861 (£55,937).

We have added the sum of £64,975 (£25,608) to our reserves, making a total of undistributed profits to be carried forward of £130,625 (£65,650).

The demand for our Presweld system of building construction, and all the products associated with it, has continued throughout the current year, and our order book is sufficient to maintain production at existing levels for the next two years.

The Company's future level of output depends, however, on the receipt of balanced and adequate supplies of steel and other raw materials. The supply position has been and still is very difficult. Coupled with this are the serious and continuing inflationary tendencies in the building trade, which result in forcing up costs. These problems, with the associated one of finance, are receiving the constant attention of your Directors, and they have successfully faced and overcome these same problems in the past.

Subject to any unforeseen circumstances, I feel confident that we can look forward to another successful year.

The report was adopted and a total distribution of 22½ per cent was approved.

J. GLIKSTEN AND SON (Timber Producers & Importers)

SUBSTANTIALLY INCREASED TURNOVER

The fiftieth annual general meeting of J. Gliksten and Son Limited, was held on December 16th in London, Mr S. G. Gliksten (chairman and managing director) presiding.

The following is an extract from his circulated address:

The Revenue from trading of the Group amounts to £964,475 as compared with £846,129 a year ago. The net profit after Taxation is £356,671 and your Board recommend a total Ordinary Dividend of 35 per cent, as last year.

Consolidated Balance Sheet: Current assets exceed current liabilities by £2,212,311. There are noticeable increases in the value of stock holdings and the total of sundry debtors. This is partly due to a substantial increase in the overall turnover of the Group and to increased production.

We have been able to finance our expansion and developments from available resources although a further factor has arisen which again changes the financial situation—I refer to the Government restrictions designed to combat inflation. Whilst we welcome proper steps to achieve these ends, those taken fall with particular severity on the Timber Trade which by tradition, in view of its seasonal nature, is always financed by bank loans. The credit squeeze has resulted in reducing the demand from some consumers; in requests from customers for longer terms of credit and in requests by the banks for a reduction in the overall facilities granted. Timber importers have always to buy at least six to twelve months in advance of the goods becoming available for sale in this country and, therefore, when the credit restrictions were first announced purchases had already been made to cover the expected requirements of trade during the ensuing twelve months. The Trade as a whole therefore finds itself at the moment somewhat overstocked in comparison with current demand and some time must elapse before this situation is remedied.

In common with other industrial concerns we are faced with higher operating costs which we are unable to pass on to our customers. They can only be absorbed by achieving higher turnover of goods and greater efficiency. During the past year we have increased our turnover considerably and our efficiency has also improved. To this end our plant and property are kept in the best possible state of repair.

During the past year visits have been made by executives to the Americas, the Far East, Africa and the Continent, and once again export turnover has substantially increased.

Since the close of the Accounts turnover has been maintained and, having regard to current trading, results are satisfactory.

One of the important features of the timber industry is that in the more common and prolific species the growing timber has only a potential value—its ultimate value lies in getting it from the place where it grows to the place where it is required for consumption, in the form in which it is required. The major part of the cost of wood, therefore, lies in transport and handling, and it is our aim to handle and transport our goods with the utmost mechanical efficiency. This is achieved with a variety of mechanical devices and by their use we aim to reduce still further our costs and increase our efficiency.

The report was adopted

S. SMITH AND SONS (ENGLAND) LIMITED

INCREASED GROUP TURNOVER

The forty-first annual general meeting of S. Smith and Sons (England) Limited, was held on December 14th in London, Mr Ralph Gordon-Smith, chairman and managing director, presiding.

The chairman, in the course of his speech, said: The group turnover has increased compared with the previous year by 13 per cent and the various companies now employ a total of approximately 17,000 people. The total floor space occupied by our activities has also increased by 14 per cent.

Notwithstanding the increase in our total turnover and the improvements in factories, our profit this year has decreased, as I envisaged a year ago. This has been due to some contraction in aviation and marine business, but the main reason is that higher costs resulting from increased wages and material prices have not been passed on to our main customers. This applies particularly to the motor accessory division.

THE ACCOUNTS

The group profit for the year before tax is £2,635,000, compared with £2,854,000 last year, but thanks to the elimination of EPL, the benefit of investment allowances and the reduced rate of income tax, the consolidated net profit after tax and after adjusting for minority interests is £1,345,000.

The net profit before taxation is after charging £558,000 for depreciation, which is an increase of £114,000 over the previous year and reflects the expenditure of £1,039,000 on fixed assets during the year. The annual contributions to pension schemes for employees amount to £178,000.

The consolidated balance sheet also reflects the expansion of turnover and production capacity. After depreciation, the fixed assets of the group show an increase of £598,000 over the corresponding figure of the previous year; stocks have increased by £1,070,000; debtors by £756,000; creditors by £410,000; and, as a result of these movements, cash resources have decreased by £1,282,000. The Board recommend the same final dividend as last year, namely, 12½ per cent, making a total of 17½ per cent for the year on the Ordinary shares.

It is calculated that at least 35 per cent of the group's turnover is exported, directly or indirectly. Markets generally are becoming more and more competitive and it is necessary, as far as we are able, to keep down export prices in order to maintain and expand our direct export business.

PRODUCTIVITY AND COSTS

While the turnover and productive efficiency of the group have been increasing over the last few years, this increase and rate of progress are no longer sufficient to offset any further rise in costs. Therefore, as we have also reached the point where we must strive to maintain our present level of profits in order to meet our large expansion programme and to finance the additional working capital required for the increased turnover, it is obvious that any further increases in costs will in part at least have to be recovered. As in the national interest we must not jeopardise our export business, this means that increased costs will need to be absorbed largely by the home market.

We are now starting to derive benefits from our long-term plans of modernisation and mechanisation, and I am confident that increasing productivity and economies will arise and these, combined with the new

products we are developing, will greatly improve our organisation and long-term prospects.

It may well be that our present expansion plans in this country and those in Australia will call for the raising of additional capital in the future, particularly if the new products under development prove to be the success we anticipate.

The report and accounts were adopted.

THE PERUVIAN CORPORATION LIMITED

MR W. H. WHITE'S STATEMENT

The sixty-fifth annual general meeting of The Peruvian Corporation Limited, was held on December 15th, in London, Mr W. H. White (the chairman) presiding.

The following is an extract from his circulated statement:

ACCOUNTS

The gross revenue from Railways, Steamers and other assets for the year (when converted into Sterling at the rates mentioned in the Accounts) amounted to £3,566,726 as compared with £3,561,035 in the immediately preceding year. At the same time, expenditure fell from £3,331,730 to £3,138,165. These Sterling figures are substantially affected by the rates of exchange used for converting currency receipts and payments. Both receipts and payments, in terms of currency, rose during the year when compared with the preceding year. The surplus of receipts over expenditure is £428,561, which compares with £268,144 in the previous year. In both cases the figures are arrived at before debiting debenture service £339,914 (same as last year) and United Kingdom taxes paid and accrued during the year £108,443 (£215,357 last year).

DEBENTURES

Two Coupons on the Corporation's Debentures (due April 1, 1949, and October 1, 1949) were paid during the financial year under review, and one due April 1, 1950, was paid since its close, namely, on October 1, 1955. This means that the equivalent of a year's Debenture Interest was paid during the year and consequently unpaid debenture interest arrears have not increased, but interest on unpaid interest has increased to £1,434,965.

PROSPECTS

Peru is enjoying great industrial and trading prosperity and growth; consequently the Corporation's prospects should be good. There are, however, factors which might preclude a full participation in that prosperity. One is that tariff increases lag behind increases in operating costs, i.e., wages, fuel oil and other materials. Another is that participation in Peru's growth and development depends upon the Corporation's ability to finance additional and more efficient locomotive power, rolling stock, coaches and other equipment to handle not only the traffic offered, but also to handle it more efficiently and at lower cost.

In this way competition by road transport can be better met, in the expectation that diversion of traffic from rail to road may be halted. If the Scheme of Arrangement is adopted, the Corporation will become credit-worthy, and needful additional funds to meet essential expenditure may be capable of being raised to the advantage of the Corporation's interests which could not be done in the present financial situation.

The Report and Accounts were adopted.

BROWN BAYLEY'S STEEL WORKS

MR J. W. GARTON'S STATEMENT

The thirty-seventh ordinary general meeting of Brown Bayley's Steel Works, Limited, was held on December 16th at Sheffield, Mr J. W. Garton, JP (the chairman), presiding.

The following is an extract from his circulated statement:

The negotiations with the Iron and Steel Holding and Realisation Agency have been completed and Brown Bayley Steels Limited was acquired from the Agency on June 9, 1955.

The re-acquisition is of great value to the Group, as it will ensure a continuance of special steels which are required for the manufacture of bearings by The Hoffmann Manufacturing Company Limited and gives Brown Bayley's an outlet for a large proportion of its output for which it has laid down special facilities.

An essential part of the reorganisation of the Group was the sale to Brown Bayley Steels Limited of your wholly owned subsidiary Brown Bayley's (South Africa) (Pty.) Limited. This Company was sold on the valuation of its net assets and the purchase price of £182,683 was applied to the payment to the Agency of a part of the purchase price for Brown Bayley Steels Limited. Brown Bayley's (South Africa) (Pty.) Limited is a selling organisation in South Africa for Brown Bayley Steels products and as such its correct place in the organisation is as a subsidiary of Brown Bayley Steels Limited.

As you know, an offer was made to the Shareholders of this Company to purchase half of the share capital in Brown Bayley Steels Limited on the basis of four shares in that Company for every share held in Brown Bayley's Steel Works, Limited. The success of this operation was assured by the Shareholders in this Company taking up all but 13,376 shares of the 1,200,000 shares offered to them. The Company then purchased 2,000 shares in order to retain control.

As the negotiations with the Agency were only completed in June, your Board has not been able to consider fully the possibility of a scheme to reorganise the Company's capital.

It is the intention of your Board to distribute to its Shareholders the dividends received from its holdings in The Hoffmann Manufacturing Company Limited and Brown Bayley Steels Limited.

The Profit and Loss Account after tax shows a balance of £68,451, to which is added £26,084, being the excess taxation provision from previous years, giving a total of net profit available to Shareholders of £94,535. Your Directors recommend that £78,750 (5s. 3d. per share) be paid as Ordinary Dividend for the year, out of which an interim Dividend of £30,000 has already been paid.

The Accounts of The Hoffmann Manufacturing Company Limited show very satisfactory results. During this year the capital of this Company was reorganised, your Company's holding now being 2,400,000 Ordinary Shares of 5s. each.

Brown Bayley Steels Limited became a subsidiary on June 9, 1955, but as the Annual Accounts have not yet been prepared it is not possible to give a more accurate forecast of the profits than that published in the Prospectus issued in June of this year.

No Dividends were received from Farnley Housing Association during the year, but since the end of the year £150 of the interest free loan to this Association has been repaid.

The report was adopted.

HECTOR WHALING LIMITED

IMPROVED RESULTS

The twenty-seventh ordinary general meeting of Hector Whaling Limited was held on December 15th in London, Mr R. de B. Trouton (the chairman) presiding.

The following is an extract from his circulated statement:

Our overall financial position again shows improvement. Liquid assets exceed current liabilities and outstanding commitments for capital expenditure by £1,823,172. As foreshadowed last year, our expedition was financed without seasonal assistance from our bankers. This year we should again be self financing.

The Consolidated Profit and Loss Account shows that the trading profits for the year increased by about £387,000 as compared with a year ago. This increase is mainly attributable to two factors—an increase in overall production of about 8 per cent and an increase in the average price for all our products of about 6 per cent.

Our outgoings for the year show a small increase, while the off-season operations of our tankers again failed to contribute to our net earnings largely owing to the very poor rates of a year ago. At the moment of writing tanker freights are better than they have been for the last two years.

Our revenue surplus has been increased by approximately the same amount as the transfer of £179,500 in respect of taxation provisions no longer required. We again propose to allocate the sum of £70,000 to Fleet Replacement Reserve and we are recommending the repetition of last year's dividends of 20 per cent for the year on the Ordinary Shares and a total of 11½ per cent on the Preferred Shares, leaving a balance of £446,247 to be carried forward.

Production last season showed an overall increase on the previous year as follows: Whale and Sperm Oil 31,400 tons (28,700 tons), Frozen Meat 5,600 tons (5,600 tons), Meat and Liver Meal 5,350 tons (4,900 tons), Meat Extract 380 tons (290 tons) and Liver Oil nil (25 tons).

SALES

A year ago the bulk of our 1954/55 production of whale oil was sold at an average of slightly more than £75 per ton. The balance of the production remains unsold in store as we believed that the price would advance above the level ruling when "Balaena" returned from the Antarctic. At the time of writing this has proved to be the case. The only sales as yet completed by us for the coming year are those of frozen meat of which we have sold the entire 1955/56 season's production at substantially better prices than those secured last year.

CURRENT OPERATIONS

In the 1955/56 Antarctic whaling season there will again be 19 floating factory expeditions operating. One large new factory ship will be replacing a smaller and older vessel so that the effective productive capacity of the industry will be slightly increased. The number of Blue Whale Units permitted for the pelagic floating factories as a whole has been reduced by International Whaling Regulations from 15,500 to 15,000. The baleen whaling season will again start on January 7th but the taking of blue whales is delayed until February 1st (last year January 21st).

The report was adopted.

THE INDUSTRIAL CREDIT COMPANY, LIMITED

At the Twenty-second Ordinary General Meeting of The Industrial Credit Company, Limited, held in Dublin, on December 13th, the Chairman, Dr J. P. Beddy, said: The Gross Profit, at £135,472, is greater by £11,285 than that of the previous year.

Net Profit has increased by approximately the same amount as Gross Profit. There is a decrease in Bank Interest because of the reduction in the Company's Bank overdraft. Bank interest accounted for over 60 per cent of the total Administrative and General expenses. Your Company's temporary borrowings are at present at too high a level and careful consideration is being given to the appropriate balance to be struck between permanent Share Capital and such borrowings.

After providing for Income Tax there remains £48,250, to which should be added £28,150 brought forward making a total of £76,400 available for allocation. Your Directors recommend payment of a dividend of 4 per cent which would absorb £43,750 net after tax, leaving to be carried forward to the next Account £32,650 as compared with £28,151 last year.

As to the present, we are committed to the underwriting, in due course, of Capital Flotations amounting in all to over £1 million and we are aware of additional underwriting commitments which we will be asked to undertake. We hope that conditions will be such as to make it possible for us during the present financial year to sponsor some Public Flotations of Capital and, in particular, to offer to the public some of the shares taken up by us during the formative years of industrial Companies which are now at a dividend-paying stage.

RIM (MALACCA) RUBBER ESTATES

DIVIDEND OF 20 PER CENT

The forty-fifth annual general meeting of Rim (Malacca) Rubber Estates Limited was held on December 20th in London, Mr E. G. Estall (the chairman) presiding.

The following is an extract from his circulated Review: The combined crop harvested for the year under review amounted to 1,798,000 lb as against the estimate of 2,015,000 lb. The combined crop estimate for the current year is 1,930,000 lb.

With regard to replanting and new planting, the Board have decided provisionally on their policy up to 1960 and priority is being given to planting up the reserve areas of Rim Estate. During 1955 an area of 43 acres has been completed, and a further 150 acres authorised for 1956.

The profit before taxation is £85,327, which compares with £27,039 last year, but in that year replanting and immature areas upkeep to the extent of £11,695 was charged to revenue. The Board recommend a dividend of 20 per cent, less tax, which will absorb £21,852. The excess of current assets over current liabilities is £81,622, which shows a strong financial position.

Addressing the meeting, the Chairman said: The crop for November was 162,000 lb, making a total of 724,000 lb for the first five months, not up to the estimate, but we can hope that the crop will improve as the year goes on.

Reports from the Manager show that the 1955 new planting is in good order.

The report and accounts were unanimously adopted.

ATKINSON-OATES LIMITED

(Incorporated in the Union of South Africa)

A SUCCESSFUL YEAR

The twenty-seventh ordinary general meeting of Atkinson-Oates Limited was held on December 9th in Cape Town, Mr A. R. Callow (chairman of the Board of Directors) presiding. The following is an extract from his circulated review:

The Profit earned by the Company for the year ended June 30, 1955, amounted to £916,176, which is reduced to £796,048 after providing for taxation. This is an increase of nearly 10 per cent over last year which was not unexpected in view of the additional allocation of exchange received and the ready market which existed for all vehicles imported. Bearing in mind, however, that the Company is committed to heavy capital expenditure during the current financial year, your Directors considered it prudent to conserve resources and declared an unchanged final dividend of 60 per cent making 80 per cent in all for the year.

Landed Property shows an increase of £317,972, which consists mainly of the balance of the cost of construction of our property in Pretoria and the amount expended to date in erecting our new assembly plant at Elsie's River, Cape. Sydney Clow and Company Limited commenced business in the new premises in Pretoria during March. The erection of the new assembly plant is progressing very satisfactorily. It is intended to start the assembly of vehicles there to a limited extent before the end of 1955. The plant has been planned for an output of fifty vehicles per day and can readily be extended if the need arises. The capital outlay on the building and equipment during the financial year just ended amounted to £216,000 and an estimated amount of £340,000 will be needed to complete the project which is being financed from the Company's own resources. Much thought and planning have gone into the scheme and your Directors are convinced that the large expenditure is fully justified in that it will enable the Company to keep pace with the advancement of the motor industry in this country.

Trade Debtors also shows an appreciable increase, namely £336,709, due to the greater volume of business transacted during the year. The major portion of the asset is secured by Hire Purchase Agreements, the financing of which forms a profitable part of the Company's business.

Stock in Trade at £1,309,320 has increased by £416,337. This is a very valuable asset as all stock has been paid for and the greater part of it consists of a bank of CKD vehicles awaiting assembly.

SOUND CASH POSITION

The cash position is still very sound at £1,027,119 although lower than last year. The decrease is accounted for by heavy capital expenditure together with the fact that trade debtors were higher and stocks considerably larger than was the case at the end of the last financial year.

The prospects for the current financial year are encouraging as trading results for the first quarter have proved well up to the standard set in the corresponding period of last year. The Motor Industry anticipates receiving at least the same quota of exchange as was granted last year in which case I see no reason why the Company should not enjoy another successful year.

The report and accounts were adopted.

JOHN HOLROYD AND COMPANY

A YEAR OF STEADY PROGRESS

SATISFACTORY EXPORT TRADE EXPANSION

The fifty-third annual general meeting of John Holroyd and Company Limited was held on December 15th at Milnrow, Lancashire.

Mr E. O. Liebert (the chairman) presided and said: Another extremely busy year for the company and its subsidiaries ended on September 30th, and once again I am able to place before you the results of our year's working.

Compared with last year the profit of the parent company including income from investments but before taxation, fell by £31,478, from £418,352 to £386,874, but the combined profit of the four subsidiaries increased by £39,284, from £116,211 to £155,495 so that the group profit increased by £7,806 before taxation, and after taxation by £19,049.

PROFIT SHARING SCHEME

Our dividend last year of 10 per cent was more than five times covered by the group profit so your Board has decided this year to recommend a dividend of 12½ per cent, which is still more than four times covered. This automatically increases the amount to be distributed under the employees' profit sharing scheme, which is tied to the dividend we pay. It will be our sixth annual payment under the scheme and in all we have distributed £107,500. It is interesting to note that in the first year we paid away £10,000 and this year we are paying £31,250. This, together with the ever improving conditions and facilities afforded to our employees has in no small way helped in maintaining the excellent team spirit which, to my mind, is one of the advantages we enjoy, giving us a stability that is not the lot of every company today.

It has been a year of rising costs, some of which have been borne by us and not passed on by way of increased prices, of greater production due to improved and swifter machines and methods, and I think of steady progress.

TRIBUTE TO DIRECTORS AND STAFF

I wish particularly to thank my co-Directors for their efforts in so many directions, not only in the day to day running of the several companies, but for all they have done to develop and expand the business for the future. Their task and mine was made possible only by the loyalty and hard work of our very excellent and trusted staff and workpeople, so many of whom are long served. I am sure you will wish me to record your very special thanks to them.

I referred earlier to development and expansion. I think that the past year has seen building work either started or in the process of being finished at our six factories. Much new plant has been installed and again you will notice that our capital commitments at £189,000 for the group are of a fairly high order. I am quite sure, however, you will appreciate that it is only by your Board's constant policy of keeping our factories up-to-date and improving working conditions, that the results which I am able to place before you today have been achieved, for there is no doubt in my mind that the trend of business has been for some time now, and will be in the future, for reduced profit margins. Consequently if we are to

maintain our profit it is apparent that our turnover will again have to be expanded. This can be done only by producing better goods at lower cost, for competition, which is the spice of our business life, is getting keener and keener.

WORLD-WIDE SALE OF PRODUCTS

I think that two matters stand out as having been achieved in the past year. The first is that our export trade has again expanded most satisfactorily, so much so that our products are sold in practically every corner of the world. Secondly, it has been a year of developing new designs and processes for machines, gears and bronze, some of which have yet to be placed on the market. I have no doubt that the progress we made last year will pay for itself in times to come.

You will I know want me to say my usual

NEW ZEALAND LOAN AND MERCANTILE AGENCY COMPANY

MR MICHAEL G. H. BROWN'S SPEECH

The sixty-first annual general meeting of the New Zealand Loan and Mercantile Agency Company Limited, was held on December 20th, in London. Mr Michael G. H. Brown, the Chairman, presided and, in the course of his speech, said:

You will see from the Accounts and Review that, overall, we have had a better year than last time. Unfortunately, a very large part of our increased revenue has been absorbed in increased expenditure, the biggest increase in expenditure being under the heading of Salaries and Wages. In a business such as ours this is inevitable, because our product is efficient service.

I devoted several paragraphs of the Review to our Staff and Employees, because they are the most important asset we possess. I hope that we have your endorsement to our policy, not only of remunerating them on a fair basis for the excellent work they do, but also of our expenditure on training of all sorts to ensure that in ten, twenty and thirty years' time we shall continue to be well served.

Eighteen months ago we increased our resources by approximately £500,000 to meet the essential commitments we then foresaw for increased business. We know that this was unlikely to be sufficient to last for long, but we felt it right to increase the Ordinary Capital before re-arranging our power to finance ourselves to a greater extent.

Since then our expansion and improvement programmes have developed still further, with a commensurate increase in the business we are handling. This trend should continue with the increasing primary production of Australia and New Zealand.

If negotiations now in progress are successful, we hope shortly to be able to make a substantial Debenture issue. As our negotiations are not entirely concluded you will, I hope, not expect me to go into further details at the moment. We have obtained the consent of the Capital Issues Committee to the proposals we have in mind.

To be successful in the current year, we need reasonably good climatic conditions. No Management can avoid the effect of bad weather. We hope, however, that even if we are unlucky with the weather, we can minimise its effect and that, if we are lucky, we can show you reasonable results, if perhaps not quite so good. To date, the reports we get indicate that weather conditions in most

cautious words about the future. I think we can look forward with confidence to the coming year's activities. There is one matter however which is giving us the greatest concern and that is the shortage of steel. It is now admitted, I think, that the expansion in engineering caused by better methods and swifter production has outstripped the growth of the steel industry of this country, so much so that as a nation we look like being short of steel and dependent upon overseas supplies for some considerable time. In turn steel is dependent upon coal, and these two basic industries, which have been the subject of so much political harangue, may prove, for some time at any rate, to be the limiting factor in what might have been a great surge forward in the productivity of British engineering. Let us hope that this position will be alleviated to some degree by permitting our steel industry to function as it should, outside the cockpit of political ideologies. The report was adopted.

of the regions we serve are good, and should carry livestock through well for two or three months. The report was adopted.

LILLYWHITES LIMITED

CONTINUED PROGRESS

The twenty-second annual general meeting of Lillywhites Limited was held on December 16th in London, Mr H. J. Benedictus, ACA, the Chairman, presiding.

The following is an extract from his circulated statement:

The Consolidated Profit and Loss Account shows an increase in net Profits before taxation of just under £10,000. This figure would have been even greater had it not been for a steady rise in overhead expenses, which at the present time show few signs of having reached stability. In this connection, there is one particular item of expense to which I must refer. From next April, new rating assessments will be in force, based on current 1956 values, and it is certain that they will be much higher than in the past.

I would like to say a few words about Purchase Tax. As far as retailers are concerned, the incidence of this tax is most unfair. In the first place, the tax has to be paid when the goods are bought from the manufacturer, which means that a great deal of additional money is locked up in stock unsold on the shelves. Secondly, if such stock fails to sell within a reasonable time, and it is thought desirable to offer it at a reduced price, there is no provision by which the retailer can recover any part of the tax already paid. And, thirdly, whenever there is a rise in the rate of tax, the retailer is expected to sell his existing stock at the old price, but when the rate of tax falls, he is forced by competition to mark down his stock to the new prices without delay; again, without the possibility of any rebate on the tax already paid.

The net profit before taxation is £63,320 against £53,651. The amount required for taxation is lower by about £1,000, due chiefly to the reduction in the standard rate of tax.

Consolidated balance-sheet.—Stock is higher by £59,000, reflecting the expansion of the business, and cash balances are down by £37,000. The excess of assets over liabilities is £12,755 higher than last year at £370,862.

It is proposed to pay a final dividend of 20 per cent making 30 per cent for the year, together with a tax free distribution of 5 per cent.

Up to the date of writing, the sales at all our branches show an increase over the figures for the corresponding period of last year. The report was adopted.

KENNINGS LIMITED

ANOTHER SUCCESSFUL YEAR

The Twenty-fifth Annual General Meeting of Kennings Limited was held at Sheffield on December 16, 1955, the Chairman, Sir George Kenning, JP, presiding.

The following is an extract from his statement.

It is again with great pleasure that I have to refer to another successful year's trading and to record results.

The Group's trading profit amounts to £689,461 compared with £521,129 last year. The net profit after tax attributable to the Group is £224,662 (compared with £164,202 last year), of which £55,387 represents net profit retained by subsidiaries.

Subject to your approval, your directors propose the payment of a final dividend of 17½ per cent making 25 per cent for the year. The ordinary dividend takes £79,566 compared with total increases in reserves attributable to the Group of £132,769.

A higher dividend might have been justified on the results, but, bearing in mind the Chancellor's call for restraint, the continuous increase in costs which seems to be accelerating, the need to attempt to keep salaries in line with wages and for conserving our resources in view of the impending issue of capital, your directors have thought it prudent to recommend the same dividend as last year.

Referring to the Balance Sheet, current assets of £3,056,318 exceed current liabilities by £1,119,078, an increase of £366,961 over last year. Reserves, excluding future taxation reserves of £402,479, now total £763,864.

ACQUISITION OF NEW SUBSIDIARIES

In January the Company acquired a controlling interest in the Paragon Group of Companies which operates in Hull, Bridlington, Goole, Scunthorpe and Wetherby. The main business of Paragon is the distribution of Nuffield Products in East Yorkshire.



SIR GEORGE KENNING
(Chairman)

In May a controlling interest in Andrews Garage (Derby) Limited was acquired. Your directors are confident that these acquisitions will be valuable additions to the Group.

George Langley Limited of Bedford is included for the first time in the Group's accounts for a full year and has had a satisfactory year's trading.

MOTOR BUSINESS

By far the most important activity of the Group is the distribution of cars and commercial vehicles and most of its activities are ancillary and complementary to this. We have had a good year in this respect and I am glad to say that since the end of the financial year sales of vehicles have increased. While at the present time we have the usual seasonal fluctuation in demand, I feel that prospects for the future are encouraging. The new and excellent BMC range of commercial vehicles has been well received by our customers and we have booked substantial orders. The ground-work we have put in with our fleet owners, both car and commercial, during the period of shortages is reaping its reward.

PETROL AND OIL BUSINESS

We have worked in close co-operation with Messrs Shell-Mex and BP Limited for many years both in the wholesale and retail distribution of petroleum products. We welcome their drive for better service, and have found that it pays us both in customer relations and in sales, which we have increased considerably in excess of the national average.

At the launching by Lady Kenning of the Shell tanker *Hinea*, Mr C. M. Vignoles, Managing Director of Shell-Mex and BP Limited, said that "Kennings are the oldest and biggest—and indeed the closest—of all the Associates of my Company in this country, and we regard them as part of the family. Our relationship with them is unique."

STORES AND SERVICE

We are constantly improving our service facilities and are carrying out a programme of modernisation and extension. This is to keep

us in line with the policy and expansion in output of the manufacturers whose products we distribute.

With the increasing redundancy of prewar used cars, the problem of obsolescence of spare parts is one which we have constantly in our minds, and we have made the necessary provisions. The Training of Apprentices Scheme which we introduced shortly after the war is providing us with a useful and, indeed, invaluable inflow of skilled mechanics.

TYRES

G K Tyre Services has kept its place as one of the leading independent tyre distributors. The Monopolies Commission Report reveals that tyre trading is highly competitive but we are satisfied with our share of the market and the profitability of our business. We have now fourteen specialist tyre depots throughout the country and are opening new branches and also expanding our retreading activities.

FISK TYRES LIMITED

This company ranks as a Tyre Manufacturer and was formed as a wholly owned subsidiary during the current year. The name of Fisk is well known in the tyre industry throughout the world, and we have every reason to believe that the early success we have achieved will be maintained. Our policy is to distribute these tyres through the motor trade, a natural channel of distribution through which to offer service to the public.

ISSUE OF CAPITAL

As has already been announced, your directors have decided to offer to Ordinary Shareholders £585,991 in Ordinary Shares at the price of 16s. per share, and to offer to the Preference and Ordinary Shareholders £600,000 5½ per cent Unsecured Loan Stock 1970/75 at £97 per cent.

The estimated proceeds of these two issues after all expenses will amount to £1,021,073. This new capital is required to meet the expansion of the Company's business.

I am glad to say that our relations with manufacturers continue to be excellent, and we thank them and our suppliers for their co-operation during a difficult period.

In conclusion, I am sure you would like me to thank our employees for their contribution to these excellent results.

The Report and Accounts were adopted.

declared during the year, and your directors now recommend the payment of a final dividend of 1s. 6d. per share.

The ore reserve at July 1, 1955, was estimated at 3,714,000 tons, averaging 4.76 dwt per ton. The tonnage milled during the year was 731,609 tons, averaging 4.74 dwt per ton. There has been during the same period a progressive reduction in the cost per ton of ore treated.

Two or three shareholders have recently suggested that the domicile of the company

should be transferred to Australia for the purpose of avoiding the incidence of the very heavy UK taxation which our profits suffer. The real difficulty lies in Section 468 of the Income Tax Act, 1952, the general effect of which is that if a change of domicile results directly or indirectly in the avoidance of liability to income tax or profits duty, the transaction is unlawful unless carried out with the consent of the Treasury.

The question which has been exercising the minds of the directors for a long time

past, therefore, has been what arguments they can put forward to the Treasury to counter-balance the undoubted loss of revenue which would result from the transfer of domicile.

In replying to a question, the chairman stated that the issued capital of the company was held as to 5.7 per cent in Bearer Shares, 5 per cent by shareholders on the Australian register, and 89.3 per cent by shareholders on the London register.

The report and accounts were adopted.

HECHT, LEVIS & KAHN
(Merchants in Raw Rubber and other Commodities)

STEADY IMPROVEMENT

The thirtieth annual general meeting of Hecht, Levis & Kahn, Limited, was held on December 20th in London, Sir Walter Fletcher, CBE (the chairman), presiding.

The following is an extract from his circulated address:

There is a Group Trading Profit for the year ended March 31, 1955, of £286,865 as compared to the previous year's figure of £209,715. The Trading Results are in line with the view that I expressed on the last two occasions on presenting the accounts, in that they show a gradual but steady improvement. Trading was more active, but the same difficulties arising from market disparities and periods of stagnation were encountered, but in a lesser degree.

By the process of "trial and error," we have come to certain conclusions as to the best way to pursue our announced policy of diversification and altering our business to

fit in with changed conditions. By and large we have discarded the idea of the main change in our business to lie in increased activity in commodities other than rubber because we have found that our accumulated knowledge of dealing in rubber is of little use to us in trading in other commodities where specialised knowledge is so essential. Over the past years we have learnt our lesson and where it became necessary we made full provision for any loss entailed. Conversely we have opened up fresh connections in rubber at the consuming end in new areas.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Net Profit of £131,279 is an improvement on last year—£103,442; and the Net Profit dealt with in the accounts of the Parent Company, £59,237, is noticeably better than that shown for the year 1954 of £42,187. We recommend for your approval a dividend of 15 per cent on the Ordinary Capital. We propose altering in form the division of the total of £758,899 of Revenue Reserves by transferring £125,000 to General Reserve, which will then stand at the half-million (£500,000) mark, leaving the Dividend

Equalisation Fund at £100,000, and carrying forward £158,899.

Since the date of the Balance Sheet under review there has been a greater change in the world's rubber situation and markets than I can remember in my thirty years of experience; what appeared to be a position in which "turning on the tap" of synthetic rubber must inevitably be the death-knell to plantation rubber, has proved on the contrary that the enormous increase of demand is capable of absorbing all rubber coming from the tree, wherever it is planted, and the man-made substitute as well. Fortunately this greater activity has vindicated in a most notable fashion our policy as regards our staff, and profits in every part of our Group have been gratifying since March 31, 1955.

There are signs that this market condition may continue for some time, but we are watching it with the utmost care, knowing from experience that though the rocket goes up, the stick always comes down.

We are resuming the payment of interim dividends and have declared an interim dividend of 5 per cent for the year commencing April 1, 1955.

The report was adopted.

WANTED

One Chief Accountant—for Steel Rolling Mill—Must be member of Institute of Chartered Accountants of either England or Scotland, or of the Society of Incorporated Accountants and Auditors. Should have at least five years accounting experience preferably in Steel Mills. Should be able to set up and operate an efficient system of cost accounts.

Also
Two Chief Accountants—for two Sugar Mills—Must be members of either Institute or Society named above. Should have at least five years accounting experience preferably in Sugar Mills. Should be able to set up and operate an efficient system of cost accounts.

Also
One Chief Accountant—for Jute Mill—Must be member of either Institute or Society named above. Should have at least five years accounting experience preferably in Jute Mills. Should be able to set up and operate an efficient system of cost accounts. A three year Contract in the first instance, renewable by mutual agreement. Terms are: salary £1,500 per year (will be increased for exceptionally qualified person), leave with full pay at 1/11 of the time spent on duty, round trip passage and free housing. Replies fully stating education, practical training, business experience, age, marital status and dependants, should be sent to—

Director-General,
Government of the Union of Burma,
Industrial Development Corporation,
53 Halpin Road,
Rangoon, Union of Burma.

The application should reach the above address not later than January 16, 1956. A copy of it should also be forwarded to the Embassy of the Union of Burma, 19A Charles Street, Berkeley Square, London, W.1, U.K.

A
AMERICAN LAWYER, LL.B., Jur.Sc.D., age 30, both academic and practising experience, also trained as an economist, now at an English university, seeks post either in Britain or Europe commencing summer 1956.—Box 325.

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LINES BROTHERS LIMITED

GROUP'S OPERATIONS EXPANDING

The thirty-seventh annual ordinary general meeting of Lines Brothers, Limited, was held on December 14th in London, Mr Walter Lines, chairman and joint-managing director, presiding.

The following is an extract from his circulated statement:

The proceeds of the new Ordinary Share Capital and Unsecured Loan Stock brought into the Balance Sheet in April, 1955, have been used to pay for further investments in Australia, South Africa, the USA and Great Britain, for higher cost of heavier stocks of raw materials, and for increased working capital due to expanding trade. The operations of the Group are growing and will grow still further and profitably, if not adversely affected by events beyond our control.

To extend our activities abroad by assembly and manufacture inside the barriers raised against trade by high tariffs, embargoes, heavy freight costs and meagre licences is, in our opinion, the only sound method, taking a long term view of world trade and Great Britain's exchange position. In those overseas countries where we have assembly and manufacturing plants we are able to set up first-rate selling and service organisations, not only for our locally made articles, but also for the sale and service of the much larger variety of goods we produce in Great Britain.

The sales of our home produced goods in all overseas countries where we have factories have increased considerably.

During the year under review we have set up our own showrooms in Fifth Avenue, New York, and our selling staff travels large areas of the USA—not an inexpensive operation, but nevertheless much more likely to attract dollar sales than by having our fine manufactures in the hands of local wholesalers. In Canada we have our factory at Montreal, our own showrooms in Montreal, Toronto and Vancouver, and warehouses in Montreal and Vancouver. Orders obtained are heavily up, but costs are very high and at present the results unremunerative.

SUBSIDIARIES' PROGRESS

In Australia, Cyclops & Lines Bros. (Aust.) Limited will shortly become a 100 per cent subsidiary, we having purchased the outside holders' Ordinary Shares. Cyclops is making good profits and it was decided that the considerable profits shown in the Cyclops Accounts should be retained in Australia. Our subsidiary, Lines Bros. (NZ) Limited, has had a good and profitable year, and we hope shortly further to extend its manufacturing activities. Our factories in South Africa, one at Johannesburg and the new one at Durban, are busy, and I am confident that they will give a good account of themselves. The Durban factory commenced production in March, 1955, and the volume of its manufactures and sales is increasing

steadily. In Great Britain our Rovex Scale Models Limited new factory at Margate has had to be doubled and the extension is just coming into production.

Our Export Trade is now running in excess of last year, as is also the Home Trade. Export Trade can only be built on a sound low cost production Home Trade, and to secure minimum costs large expenditure on modern plant is essential.

We endeavour to make each year one of fresh achievement and we believe there are always more fields to conquer. Assisted as we are both at Home and Overseas by many able executives, many good foremen and operatives, and with well equipped factories, we look to the future with quiet confidence.

The report was adopted.

LAKE VIEW AND STAR

The forty-fifth annual general meeting of Lake View and Star, Limited, was held on December 15th, in London.

Sir Joseph Ball, KBE (the chairman), in the course of his speech, said: There was a decrease of £50,806 in the revenue from mining and retreatment operations for the year ended June 30, 1955, as compared with last year; but the effect of this was offset to some extent by a reduction of £36,371 in total working costs, including development. An interim dividend of 9d. per share was

GAMBIA OILSEEDS MARKETING BOARD

Applications are invited for the post of Assistant Accountant to the Gambia Oilseeds Marketing Board.

Applicants must be between 25 and 35 years of age and must have had at least five years accounting experience in a large commercial undertaking—preferably in the United Kingdom.

The appointment will be for one tour of not less than eighteen months nor more than twenty-four months residential service in the first place, but, subject to satisfactory service, the successful applicant will be offered pensionable appointment on the permanent staff of the Board.

The salary attached to the post will be in the scale £900 x £20 to £1,000, and the successful candidate will enter according to experience and ability. In addition, a gratuity of £25 for each three months of residential service in the Gambia will be paid. Passages, quarters, and leave of absence will be granted in accordance with normal Government practice.

Applications in the candidate's own handwriting, giving full details of age, education, accounting experience, etc., should be forwarded to—

The Managing Director,
Gambia Oilseeds Marketing Company Ltd.,
5 Buckingham Gate,
London, S.W.1.

MARKET INFORMATION.—The export company of a large organisation in the engineering industry (Midlands) is extending its information services. An imaginative Economist accustomed to following and analysing home and export trends, and with a flair for lucid presentation, is required. A university speciality in the theory of international Trade is desirable. Experience in the application of economics in industry is essential. Salary commensurate with qualifications and experience.—Box 324.

MARKETING RESEARCH.—Leading Food Manufacturer requires male Research Assistants aged 23-27, with or without experience. Applicants must be of good personality and education, be willing to travel throughout the country, and possess the ability for accurate figure work. Apply, in writing, giving full details of age, education and past career.—Box 330.

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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 £2000 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 327.

ECONOMIST, aged 30 to 35, with first or second class honours degree and with experience in Power Plant Economics and Market Surveys, is required in the Industrial Atomic Energy Group of The General Electric Company Ltd. This is a senior appointment, offering good opportunities and an interesting career.—Apply to The Personnel Manager (A.E.D.), Fraser & Chalmers Engineering Works, Erith, Kent.

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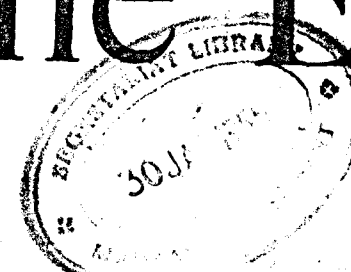
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DECEMBER 31, 1955

ONE SHILLING

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Police in the Pillory

The Tree That Grew in Norway

Safety on the Rails

Money for Jams

AMERICAN SURVEY: Personalities for the Senate
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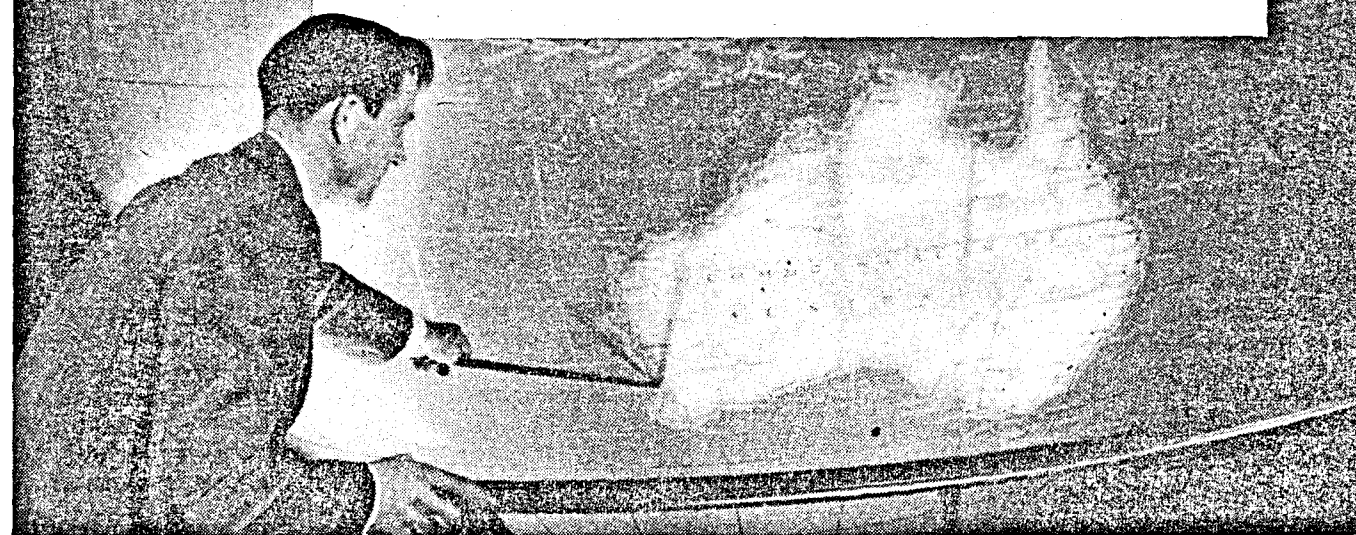
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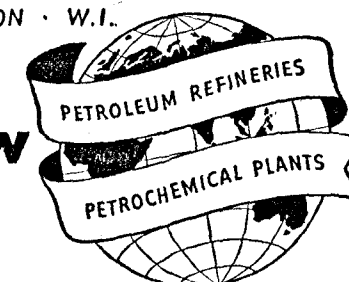
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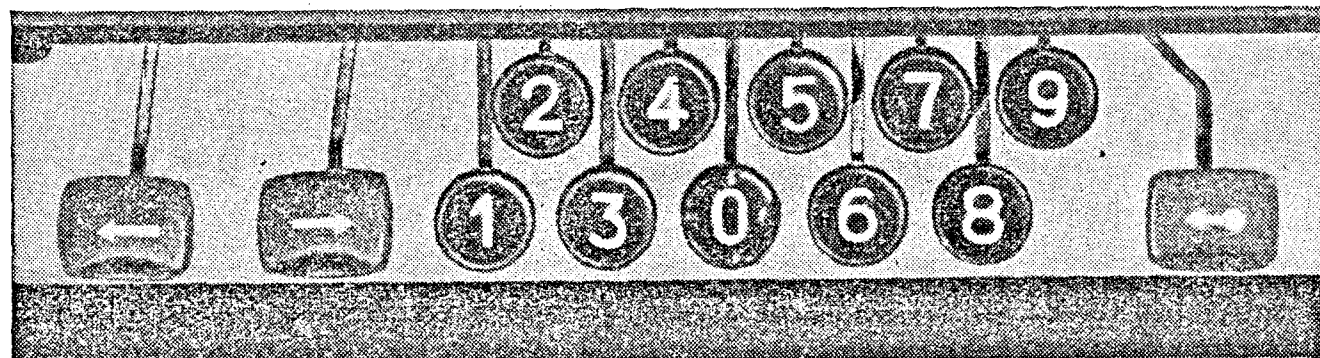
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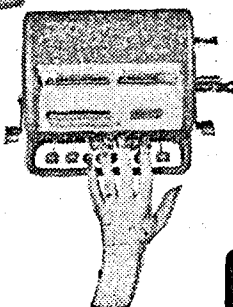
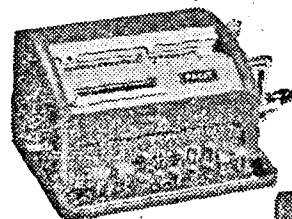
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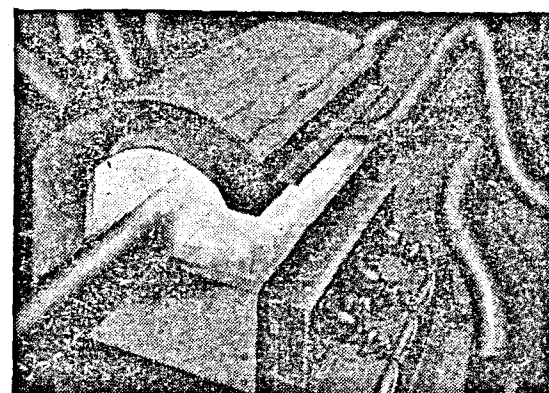
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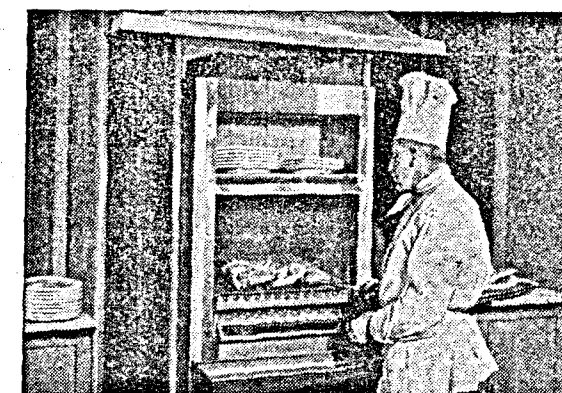
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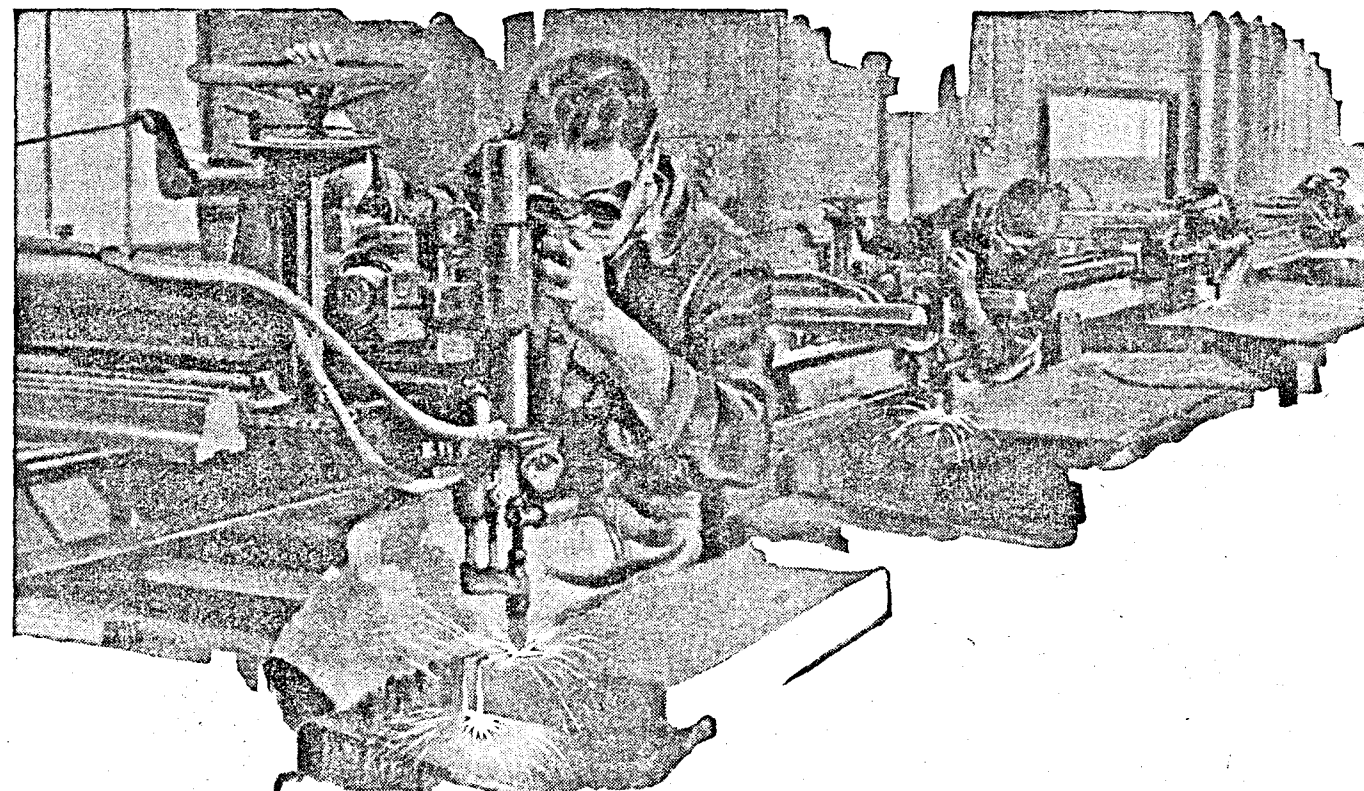
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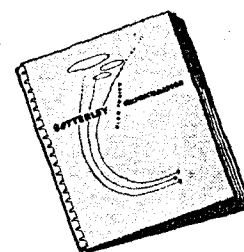
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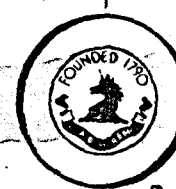
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DECEMBER 31, 1955

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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.

Resolutions for the Chancellor

EVERY Chancellor of the Exchequer since the war has done better than his immediate predecessor. It is certain that Mr Butler has done, but also that he leaves plenty of scope for Mr Macmillan to continue the progress. At the beginning of his period in office Mr Macmillan should therefore take stock of the ground that he will be required to retain if he is to be a tolerable Chancellor, and of the new ground that he should aspire to win if he is to be a great one. Perhaps this is the right moment to suggest three New Year resolutions to him.

He should make quite sure that he understands the ground that he has to retain first. The essential achievement of Mr Butler's Chancellorship has been Britain's advance from reliance upon compulsive controls to reliance upon a free market economy. There may be a temptation to suggest that the workings of this free economy—although they helped to raise the British workers' standard of living between 1951 and 1954—have shown their weakness during the past year. In fact, however, it is only during the last year that the free economy has shown its real strength. Mr Macmillan can do no better initial homework at the Treasury than to ponder what would have happened in 1955 if Britain's problems had been tackled with pre-Butlerite weapons.

The old sort of controlled economy would have been a grave misfortune in 1955. If Bank rate had still been inoperative as it was before 1951, then the rise in commodity prices during the past year would have been much greater and the terms of trade would have turned sharply against Britain. If Britain had entered 1955 with its raw materials still subject to import controls, and subject to the distortions of stockholding habits that went with them, then the dock and railway strikes of the early summer would have brought the economy rapidly to its knees; certainly the strikes would have had a far more serious effect on British living standards than that much milder previous interruption to supplies, the cold weather snap of 1947. And if there had still been an apparatus of price controls in being this year (with all the encouragement which they give to consumption), as well as a tradition of resorting to import licensing at times of external deficit (with all the incentive which that gives to traders to hurry forward their purchases at the first sign of trouble), then there is every reason to suppose that the near-crisis of 1955 would have gone at least as far as the full crises of 1947, 1949 and 1951.

Of course, it may still go as far; the situation may still deteriorate. But, at the moment, it does not look as if it is doing so. Thanks to the shock absorber of the free economy, Britain's all-too-familiar "odd year" economic disturbance seems, this time, to have been limited to the status of an autumn jolt. Mr Macmillan will be a tragic failure as a Chancellor if, by the time that the next external buffet comes round, it is found that he has failed to maintain the shock absorber intact.

This should be Mr Macmillan's primary New Year resolution. But he should not only wish to avoid falling behind Mr Butler's example as a Chancellor. He should wish to improve upon it. How can he do so? The first possibility with which one naturally tends to link the name of an ambitious new Chancellor is that of tax reform. There is not very much that can be said at this stage about the general level of taxation. It is, of course, far too high, and Mr Macmillan should not allow any special interests—such as the farmers—stand in the way of a determined and early drive to reduce it. But, in the long term, the only real way to bring it down will be to get production up; and that objective can be helped forward by changes in the distribution, not merely in the level, of the present burden. Mr Macmillan should turn his attention first to the particular taxes which weigh most heavily as disincentives to production, and which should be brought down even if other taxes have temporarily to be put up in compensation.

One can be quite specific about which these worst taxes are. They are income tax, surtax on earned incomes, and profits tax. This is a very awkward list, but its awkwardness is not really surprising. If the tax reforms that are needed were not awkward, then not only Mr Butler, but also his three Labour predecessors, would have embraced them long ago. It is probably asking too much of Mr Macmillan that he should embrace them with early enthusiasm; but the yardstick by which to judge any tax changes in his Budgets will be whether he recognises the need for reform—whether his constant aim is to seek to set productive energies free. His second New Year resolution in his new office should be to determine to do so.

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The third resolution that may be suggested to him is even more awkward, and must be put forward much more tentatively. But if Mr Macmillan and those who presume to advise him are going to be tentative, let them at least try to avoid being hypocritical. Everybody knows what are the principal remaining defects in the British economy: they are the perennial increase in prices, the constant threat which this holds to the exchange value of the pound, and the immobility of labour and other resources. Everybody knows the reason for these ills, just as everybody knows the reason for the increased incidence of sick headaches on New Year's morning. In this week of all weeks many people may admit that certain pleasurable excesses lead them to intermittent fits of disturbed health; if they do not want to give up those excesses—and they have every right to refuse to do so if they are ready to bear the consequences—then they must go on suffering from disturbed health. The pleasurable excess to which the British people has been particularly attached all through the postwar period has been its extreme definition of full employment.

The most cursory comparison between Britain, on the one hand, and America and Germany, on the other, provides the proof of this. All three countries enjoy full employment, but only Britain insists on its employment being brimfull, pressed down and running over. Public opinion in the other two countries is content with an employment ratio of 96 or 97 per cent, with some real bargaining room and space for movement in industry. That, more than any other reason, explains why America and Germany have succeeded, broadly speaking, in maintaining full employment and price stability at the same time, while Britain has failed and is failing. If the British public wants greater price stability and steadier economic progress, it will have to reconcile itself—not, indeed, to mass unemployment as it has been known in past decades, but to employment that is merely full, and not overfull.

There are some people who will deny that any increase in unemployment, however fractional, however widely distributed, will do any good. They will point to 1952, when a slight rise in unemployment was associated with declining production and a brake on productivity. These are, indeed, the inevitable impact effects of any small degree of disinflation. But no one who knows the present state of the labour market and what goes on in it can doubt that a more significant and lasting reduction in the total pressure (always provided that it did not give rise to fears of a real slump coming) would after a few months act as a tonic throughout British industry.

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The policy of the credit squeeze, if it has any meaning at all, is aiming at providing just such a tonic. Mr Butler has often said that it is not aimed against the policy of full employment; but it should be aimed at substituting a new and more moderate definition. Whether a new definition can be found that will be both acceptable and effective remains to be seen. Economists, who think in percentages, would probably agree that 97 per cent full employment is about as far as an economy can go without immobility and inflation. But politicians have to think in hundreds of thousands of electors; and 97 per cent employment means about 700,000 unemployed at any one time (though not, of course, 700,000 individuals each out of work for a long time). It is just possible—but only just—to hope that the smallest percentage of unemployment that will do the economic trick will be no larger than the biggest total of unemployed persons that the politicians can be persuaded to tolerate. Whether the two ends of the problem can be brought together in this way, nobody knows. It should be Mr Macmillan's third New Year resolution to find out. If he can succeed in this, too—which is the only way of stopping the steady rise in the cost of living, which is, in its turn, the only way of saving the pound—he will be enough of a hero in three years' time to repay manifold any unpopularity he may fall into meanwhile.

Police in the Pillory

THE Home Secretary's recent refusal to hold "a roving inquiry into the general conduct of the metropolitan police" was justified. A private police inquiry into the discipline of a handful of officers in the West End was misreported last month as the uncovering of widespread bribery and corruption, and naturally drew from the Commissioner of Police, Sir John Nott-Bower, a forceful denial; less fortunately, a London magistrate used his court as a platform for associating himself with Sir John's remarks, although the appearance of an alliance between the police and the magistrates is precisely one of the things that is exciting suspicion. But the rumpus came at an awkward moment for the police, as an officer was on trial on charges (subsequently proved) of conspiracy to pervert justice; and this stirred public memories of a number of occasions recently in which police handling of evidence in court cases has been open to reproach. Sir John wisely took the public into his confidence and declared that action was being taken to deal with black sheep in his force, and that he welcomed sensible newspaper criticism as the touchstone of a healthy relationship between police and public.

This latter statement is worthy of special note. There are few countries, even with democratic governments, in which the press dares to criticise the police. They constitute a power which, if not uncontrollable, is felt to be best left alone. This attitude of caution is usually coupled with the conviction that the police are, to a greater or less degree, corrupt. It is peculiarly a British boast that their policemen are not as other policemen are: an unarmed, civilian force within and in no way above the law, the police are assumed to be above taking bribes or misusing their power—whatever their pay, working conditions or temptations. The rare exceptions are held to prove the rule, as indeed they do if the figures of officers dismissed or required to resign for misconduct, given in the Commissioner's annual report for the metropolitan police, are an accurate index of police integrity. For they amount to a score or less a year in a force of 15,000.

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This is a high standard to set, and perhaps the real question is whether the community expects more of its police than it deserves to get. The principal task of the police is to prevent crime and to bring criminals to justice. But a large proportion of their time is taken up with handling laws that are unenforceable either because they are hypocritical laws, or else because strict enforcement would make petty criminals of a quarter of the population. The laws relating to vice, betting and drinking come into the first category; the law dealing with motor traffic into the second. The evil influence of

such laws lies behind much recent public disquiet; for they breed contempt for the law among the public and cynicism about the public among the police.

The police know that they cannot enforce these laws strictly. They know that the community does not want them to. Their job is to keep an unworkable situation going somehow: to keep vice and street betting down, not by enforcing the whole law, but by making examples—so that the fines imposed amount, in a sense, to licensing fees; and to keep the traffic moving, not by booking every motorist who gets on the wrong side of the law, but by warning and persuading and finally making examples. This worsens relations between police and public in a new way. Because magistrates know perfectly well that the police bring as few cases as they can as a general matter of policy (and of the limits to the courts' time), they tend to assume that when a case does come up the police must be right—or at any rate that they must be supported. In either event the public has received the impression that to plead not guilty to a motoring offence is merely to ensure the doubling of the fine, that police and magistrates are in league, and that law has no place in the process at all.

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It is this problem of overloading and of arbitrary selection of court actions that lies at the bottom of most of the real reasons for present public concern about the police. The analysis shows, of course, that some of the public's traditional suspicions are nonsense. It just is not true in this sort of situation that a policeman who piles up a big bag of motoring convictions will be well placed for promotion; he is more likely to be ticked off by his superiors for unnecessarily overworking the courts and making himself a nuisance. But there may be more fire behind three other smoke clouds of suspicion:

First, the police, believing in their hearts that they bring only the guilty to court, may be less careful at times in handling suspects or court cases than they should; even a few incidents, such as there have been recently, give the public rather easily the impression that the police are less scrupulous than they used to be; and this impression tends to be strengthened when instances in which police evidence is roughly handled in court are not followed by explanations or, if need be, dismissals.

Secondly, the fact that the police have been lax about some laws that the public does not really want to be enforced may have led them to be lax about some laws which the public does want to be enforced. For example, it would not have been as difficult as the Home Secretary has made out to secure more convictions of organisers of illegal rings at antique auctions.

Thirdly, there is the question of the general level of crime prevention. Here the police can properly point to

the fact that last year the crime rate for the metropolis for the first time dropped below the level of 1938. This was achieved despite the fact that the metropolitan police are still some 4,000 short of an establishment fixed as far back as 1935, and in the teeth of all the other distractions. Clearly full employment and the disappearance of the black market with rationing has much to do with this showing; but it is probably not unfair to say that mechanisation (especially motorisation) and the advance in scientific methods has merely offset the reduction in police manpower sufficiently to restore the prewar rate of crime prevention.

There are sufficient grounds for concern here to suggest that the community must choose: either it must increase the size of the police force (both metropolitan and county), or it must lighten their task.

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It will not be easy to increase police recruitment. Police pay has just been substantially increased, but pay is not the only problem. The greater problem is one of conditions and promotion. Two-thirds of the men recruited cannot expect to rise above the rank of constable, which means that their pay, now initially favourable, rises by only £3 a week by the end of twenty-five years of service. All entry is at constable level; and almost the whole of the impact of the manpower shortage is visited upon the men on the beat, since the CID and special branches cannot be starved of brains. Overtime and impossible hours are often the rule from the beginning. This is a serious deterrent. Recruitment to the metropolitan police is in fact running at the rate of 1,300 a year compared with 1,000 before the war, but wastage after the first few years of service (which admirably fit men for many other better paid careers) completely offsets this gain.

At the same time changes in the educational system make the police force less attractive as a career; grammar school boys, for example, expect quicker promotion and better ultimate prospects than are offered in the force, where a man must pound the beat for four years before he takes his examination for sergeant, however bright he may be. Thus though police work is undoubtedly—and fortunately—a vocation for some men (and women) it threatens to become for the majority increasingly an unattractive and relatively untechnical profession, comparing poorly in pay and prospects with other walks of life. The danger grows of a short-service police force, manned by inexperienced and heavily overworked constables; this inevitably frustrates the good work of the senior ranks of the force. The public, seeing only the police notice on the wind-screen and reading only that 70 per cent of burglaries are never solved, asks what the police are doing. The policeman sees the public more concerned with its wage claims or its pleasures than with facing unpleasant facts; and far less law abiding than it should be.

This is a bad situation; and the country is fortunate that prolonged neglect of it has not made it worse than

it is. The responsibility in the first instance lies with the Governments that have neglected it. They have shirked the thorny issues of the traffic problem and of the vice, betting, drink and other laws. They have failed to develop the parking lots, to improve the roads, and to devise a simpler method of enforcing traffic regulations less prodigal of the time of the police, the courts, and the offending though often inoffensive citizen. The Government continues to hide behind the police in its fear of the pressure groups which form various unholy (and holy) alliances to keep the law in its present disreputable condition. The police play no part in these. (They may be one of the forces that are persuading the Government to be inactive about capital punishment, but that is a different story.)

Until politicians are prepared to brave these electoral bogies, and the public shows that it will support any Government that does so, it will be idle to assume that the police can by occasional pay increases be made fully efficient, or that its relations with the public will be satisfactory, or that there will not be temptations in the path of the police to which some officers will sometimes succumb. But before getting excited about the mote in the policeman's eye, the public and the politicians should try to become conscious of the beam in their own.

Prevention of Crime

The reformation of criminals is a congenial occupation at this period of the year, and we are rather pleased than surprised to find in the journals another long account of the Reformatory Establishment at Mettray, and notices of more than one county reformatory, with numerous letters and leading articles on the subject. At all times, too, as well as at Christmas, the prevention of crime excites the deepest interest and occasions much intense discussion. It is now within a few years of a century since Beccaria successfully attracted the attention of Europe to the injuries which severe punishments inflict on society. . . . In the period, social improvement, the extension of discussion, the deeper interest we have all learnt to take in matters of general welfare, and the increase of population giving a corresponding magnitude to the increase of crime, have all combined to excite continually the sympathy of the philanthropist and the activity of the practical politician. No year of the present century—scarcely a month in the long period—has elapsed without some painful event having occurred to fix the public mind for a season on the annoyance we all suffer from crimes and on the means of preventing them. But hitherto these investigations, though not wholly fruitless, have not led to any certain and definite conclusions. The Legislature has sometimes repealed severe laws, and sometimes again had recourse to the principle of such laws; and the public mind is now in a condition of greater doubt and anxiety on the subject of penal laws than before it was disturbed by a suspicion that the unsparing use of the gallows or the sword might not be the best means of securing the virtue and happiness of society.

The Economist

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The Tree That Grew in Norway

THERE could be no more apt symbol for Norway than the giant Christmas tree which, by a now annual tradition, has stood in Trafalgar Square during these weeks, a Yuletide gift from the people of Oslo to London. Austere of outline, unchanging of foliage and impervious to even the coldest wind from the east, it represents the qualities that make Norway one of Britain's steadiest friends and give its domestic scene such remarkable stability. This year the Norwegians have been celebrating the fiftieth anniversary of the dissolution of their union with Sweden. The whole of Norway's modern existence as an independent country has been spanned by the reign of a single monarch, the veteran King Haakon VII; one party, the Labour party, has been in power since 1935, and is so deeply entrenched that its leaders now take turns to rest between spells in office; and the recent transport strike was the first major industrial stoppage since before the war. With change so rare, it is small wonder that observers abroad sometimes find it difficult to detect any movement at all.

This year, however, there have been some stirrings in the fjord-side forest. Last month the prime minister, Hr Gerhardsen, became the second in the procession of Scandinavian premiers to visit Moscow (Dr Kekkonen of Finland went in the autumn, and Hr Erlander of Sweden and Hr Hansen of Denmark have been invited to go in the spring). It was thought in the West that Mr Khrushchev might use the occasion to try to undermine Norway's loyalty to Nato and to foster Russia's ambition of a Baltic "zone of neutrality." If he did, he made no impression on Hr Gerhardsen. The Norwegians, whose frontier touches the Soviet Union in the far north, had a number of comparatively minor matters they wanted to discuss with the Russians, and the negotiations seem to have been confined almost entirely to this practical level. A three-year commercial agreement was signed, but this will not materially alter the volume of business between the two countries, and Russia will still account for less than three per cent of Norway's foreign trade. It was also agreed to hold joint discussions about the development of water power along the common frontier in the far north; a Russian delegation has been invited to study the Norwegian fisheries; and the Russians were induced to return at least one Norwegian whom they had held prisoner since the end of the war.

Apart from this, Hr Gerhardsen reaffirmed, in response to a Russian request, that Norway would not allow foreign bases to be set up on its territory unless and until it was threatened with an attack. This is precisely the same assurance as the Norwegians gave on entering Nato in 1949, and its reiteration is unlikely to cause many heartaches among western defence planners. A nation of only three millions, Norway may

offer only a small contribution to western strength, but it is one of the firmer links in the Nato chain. Its defence expenditure, now running at £45 million a year, takes a fifth of the annual budget; and only last year the Norwegians raised their period of military service to its highest level since the war.

They are well qualified to judge the rewards of resolution; the dove-like politenesses of *Pravda* during Hr Gerhardsen's visit contrasted strongly with the barbed notes that travelled from Moscow to Oslo both in 1949 and at the time, a little later, when the Russians alleged, without the least justification, that Spitzbergen was being prepared as a foreign base. And Norway's present constancy is all the more notable when it is remembered that its ruling Labour party was once a member of the Comintern, and throughout the 1930s was wedded to the strictest neutralism.

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In one respect, however—in economic policy—this anniversary year has seen a certain irresolution. By the end of last winter the enormously heavy investment programme needed to repair wartime damage and to expand Norway's late-growing industry (investment has been running at almost a third of the gross national product) had produced—together with the burden of defence and social services—a serious danger of inflation. In particular, the trade gap widened enormously last year, and even when the rich earnings of Norway's merchant fleet were taken into account there remained a payments deficit of £55 million—a seventh of the total import bill. To counter this, the government took a number of measures in February. Some of these measures—such as the tax on imported cars, the levy on contracts for new ships, and legislation (now being reinforced) to restrict credit—were fully in Scandinavia's socialist tradition of direct action; but, significantly, the government also followed Denmark's plunge into monetary controls and, abandoning the cheap money policy it had pursued ever since 1946, raised the bank rate and launched a comparatively high interest state loan.

It is not yet clear how effective these steps have been. The minister of trade, Hr Skaug, estimated in October that in 1955 the balance of payments deficit will be cut to £35 million; but, if this happens, it will be due almost entirely to the spectacular rise in the earnings of the merchant fleet, which the president of the Norwegian Shipowners' Federation recently put at £20 million above last year's level. Helped by an improvement in the terms of trade, visible exports (especially iron, steel, aluminium and fish) have also risen in value, and have recently beaten the record of the 1951 "Korean" boom; but they have no more than

matched the rise in imports, which, although checked to some extent by the restrictions imposed in February, were nevertheless up by eight per cent in the first ten months of the year compared with 1954.

Norway's next move may well be influenced by the success or failure of Britain's present economic policies. Hr Mons Lid, the minister of finance, has said that he does not consider another increase in bank rate to be "practical politics at the present time," but a further drain in the meagre reserves of foreign currency may force him to choose between a return to Norway's old reliance on selective controls and a new experiment in monetary orthodoxy.

Whether or not further measures are needed depends chiefly on two things: the government's success in avoiding a budget deficit this year, and the result of next spring's wage negotiations. Hr Lid, who has budgeted for an exact balance, said in February that this must be achieved if his policies were to be successful. Since then, upwards of £10 million has been added to state expenditure by a salary increase for civil servants and by compensation paid to farmers for their losses in the summer's drought. Some of this will be made good by additional taxes which are to be imposed from January 1st; it remains to be seen whether the rest will be covered by the "bonus" tax yielded, in excess of the minister's expectations, by the rapid growth in personal incomes. Investment continues high; but the new steel works at Mo-i-Rana in the north are now beginning to justify themselves, and

other capital construction is being financed partly from abroad.

No democratic government is more comfortably settled in power than Hr Gerhardsen's. Norway is a psephologist's nightmare, a country where the ruling party has been steadily increasing its share of the poll ever since 1945. But in industry things are less settled, and the recent transport strike is not the only omen of restlessness. The vice-chairman of the Norwegian TUC, Hr Mentsen, forecasts that all the unions will terminate their wage agreements in the spring, and that there will be "one of the most comprehensive revisions of wage payments we have ever experienced." The last general rise in earnings occurred in the spring of 1954; since then the cost of living has moved up by a few points, but has recently been held stable by Hr Lid's restrictive measures.

No doubt the government will point to this fact in urging restraint, and it also plans to extend the scope of the national health scheme as an encouragement to the unions not to press wage demands too hard. Norway stands by its concept of the welfare state as firmly as it stands by its membership of the western alliance. But it is discovering, as other western democracies have, that there is a conflict between this and the inflationary threat that overhangs them all. Norway's case is especially hard, for the balancing of its books largely depends on the highly variable earning power of its great merchant shipping fleet. The next few months may show how the government hopes to resolve the conflict.

Notes of the Week

Algeria and the French Voter

THE guerrillas have secured the Algerian problem a central position in Monday's French elections. The noise of their guns makes a mocking contrast with the government's assurances that no more men will need to be mobilised to restore order. The general belief in Paris is exactly the reverse, and it is widely rumoured that at least another 60,000 troops will have to be sent to Algeria in the very near future. This grim eve-of-the-poll warning may prove a blessing in disguise; for it is a reminder that to find a solution for Algeria will be one of the main tasks of the next National Assembly, and that, if it fails to find it, the strain of a long guerrilla war may prove too much for French resources.

Because events in Algeria have involved the recall of conscripts to the colours, they have become a major issue of domestic politics. On the other hand, the division between

the French parties on the issue is not easy to define. Was not M. Soustelle, the Governor-General who has been carrying out the policy of the Faure government, appointed by M. Mendès-France? The basic views of the two leaders on the problem are probably not very dissimilar. Neither of them has explained very clearly how he would resume negotiations with the nationalists, what offers he would make and how these could be reconciled with the interests of the French community in Algeria. But the deciding factor may well be the fact that any policy will need the support of a parliamentary majority; and any majority which M. Faure is likely to muster is bound to contain deputies flatly opposed to reconciliation.

Paradoxically, while the rift thus grows between France and a vital part of the French Union, it is the deputies from outside France who may hold the key to the future balance of parliamentary power. If the elections produce anything like a deadlock, the votes of the 53 "overseas" deputies and of the 30 from Algeria may prove decisive. Elections,

however, cannot be held in Algeria yet, because of its "exceptional circumstances." This very fact ought to explode the myth that Algeria is an integral part of France, and hasten the search for an alternative policy for it.

Parliament's Christmas Box

PARLIAMENT is always apt to look like a boarding school when it breaks up for the Christmas holidays. This year the analogy was more obvious than ever. The names of the new prefects were announced. There were an unusual number of *valetes* to be said, to which the New Year's Honours List may still add. And one of the main subjects of conversation in the last few days before Christmas—sometimes it appeared even to supersede discussion of the Government changes—was a strictly domestic matter: the prospect of a definite improvement in living conditions next term.

It now seems fairly clear that MPs' pay will be raised again during the coming year. The Government is believed to be prepared to raise MPs' "sessional allowances" from £2 to £3 a day (a figure it also wants to offer to peers), and to make the allowances payable for all five sittings days a week. This would raise the total emoluments of a member of the Commons to £1,500 a year; MPs would therefore at last reach the figure that was recommended by a Select Committee last year, but by the back instead of the front stairs. Labour members want more than this. Just before Christmas they decided that they would approach the Government in the New Year with a proposal for linking MPs' pay with some unspecified civil service rate. This plan would carry some very odd implications about the status of an MP; but Labour's argument is that it would take the whole embarrassing issue out of politics. Conservative members say that that is exactly what is wrong with it.

The Tengku Acts Tough

UNLESS Chin Peng and his lieutenants, after consulting with their supporters in the jungle, have last-minute thoughts—which are not unusual in oriental bargain-technique—the anti-terrorist campaign in Malaya goes on. The Chief Minister of the Federation, Tengku Abdul Rahman, will have had the last word—"We continue fighting." But Chin Peng's own last word was clever, and may prove embarrassingly memorable. It was that the Communists would surrender when the British relinquished control over internal security. It remains to be seen whether the whole parley was engineered by the Communists mainly to get this message across to the war-weary and lethargic peoples of Malaya; or whether it was a desperate last fling, because the Communists are defeated and know it.

The Communists faced a strong Malayan team across the table: two chief ministers, one of whom will soon be prime minister of an independent state and able to command the forces now under British authority; the other soon

to be prime minister of a self-governing city-state enjoying what will amount, probably, to treaty relations with Britain. The Communists "confessed" to their error in regarding the Tengku and Mr Marshall as stooges, and quickly found them inflexible on terms for ending the revolt, now directed against their elected governments. The Tengku declared before the talks that he felt strong and was therefore prepared to be lenient, but so far he has wisely interpreted this as simply a promise to spare lives and require a change of heart, not to permit the upsurge of a rival to his authority. The reports of the proceedings suggest that he knows well the value of the amnesty clauses which give him the power to deport, to restrict the freedom of action of those lately under arms, and to put them through rehabilitation courses. He made an effective point when he said that the ideologies which the Communists want to be allowed to propagate freely were associated in his peoples' minds with war, bloodshed and suffering.

But if the fighting goes on, the Tengku will need to live up to his pledge to mobilise Malaya against the terrorists with a single-mindedness which has hitherto been lacking, and take the sting out of Chin Peng's anti-British slogans. He seems more confident of late that he can do this, with Chinese as well as Malay support; and he will have supreme military control in prospect after the London talks. It may yet fall to him to win the war by arms, as well as Malaya's statehood by negotiation and statesmanship.

Peers and Pipedreams

THE discussion last week in the House of Lords on the approaching prospect of a visit by Mr Khrushchev and Marshal Bulganin can hardly be said to have strengthened the peers' claim to be a reflective assembly. Lord Hailsham expressed the hope that the Soviet rulers would be infected with freedom if they once saw Britain plain. Lord Pakenham apparently thought that the visit would speed the day when the iron curtain might be broken down and intimate friendship created between the Communist and free worlds. Lord Henderson begged the Government not to deny the Russian leaders an opportunity of learning about the British people. And Lord Reading, replying for the Government, declared that the invitation still stood. He seemed to place a curious emphasis on the fact that it would not be a state visit (it would be strange indeed if it was, as neither of the prospective guests is a head of state).

Other voices were, admittedly, raised in a much more sceptical tone. But on both sides of the House the illusion evidently persisted that a conducted tour of this country would open Mr Khrushchev's eyes to the virtues of democracy; and Lord Henderson committed himself to the opinion that the Soviet rulers would abstain from using London as a platform from which to launch jibes at friendly countries. Any member of the Indian Upper House could, by now, enlighten their lordships on these matters. Six weeks ago, it was possible to hope that travel would broaden Mr Khrushchev's mind; and at that time, few Indians imagined that their visitors would overstep the bounds of good behaviour so grossly as to embroil their hosts with other countries. But they did.

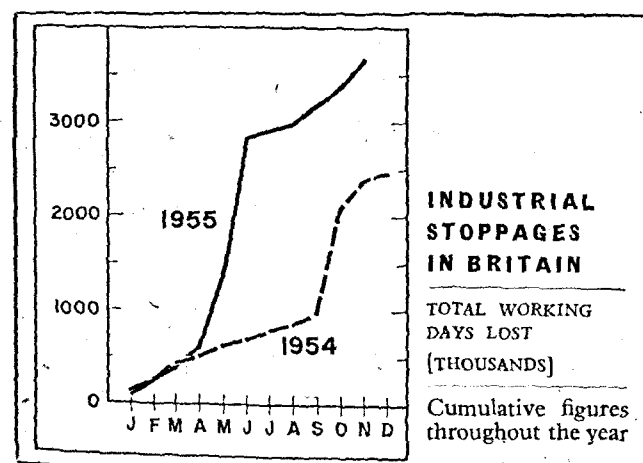
They insisted on going to Kashmir, and thrust their fingers firmly into its affairs with scant regard for the famous pledge of non-interference enshrined in the *Panch Shila* (their excursion to Mid-Ulster ought to be a lively weekend too). They perpetrated fantastic slanders about other countries (one could almost draw up now the list of nations, ranging from the United States to Germany, Israel, Pakistan and South Korea, which Mr Khrushchev will attack when he addresses the British-Soviet Friendship Society). Bourbon-like, they learned nothing; on the last day in India, they assured their hosts that India's parliamentary parties would be automatically swallowed up by the Communists in due time. And their bland praise of the Burmese army for its brave struggle against the young republic's enemies (who are mainly Communist guerrillas) amply demonstrated their talent for hypocrisy.

If the Government intends to proceed with its invitation the British public should at least not be pap-fed by politicians with any illusion that the Soviet rulers may be converted to democracy when they come here. And if the aim of this visit is the wholly admirable one of developing friendship between the Russian and British peoples, we have invited the wrong Russians. The ordinary Russian, whom it would be a pleasure and a gain to entertain here, cannot yet visit these shores freely—and responsibility for that was readily shouldered by Mr Molotov at last month's Geneva conference.

Loose Ends for Labour

LABOUR has settled its leadership problem during 1955, but little else. It went off for Christmas still trailing behind it a cluster of loose ends. The first problem for the New Year will be the deputy leadership. It still seems that the man most likely to succeed Mr Morrison is Mr James Griffiths. The main argument put forward in his favour seems to be that the party, having launched an apparent assault upon Victorianism, must now show that it only intended to do this by halves.

Whoever becomes deputy, two new men will move up into the Shadow Cabinet—Mr Kenneth Younger and Mr



Tom Fraser. Both will be useful young acquisitions, bringing with them some much needed specialised knowledge of foreign and Scottish affairs respectively. They were only squeezed out in June by the party's predilection for some right-wing hatchet men. Much more complicated will be the position on the National Executive. There, too, the leader and deputy leader sit *ex officio*. But so does the party treasurer. The last few days before Christmas brought no clarification of the rules about what should now happen to Mr Gaitskell's treasurership. One suggestion is that it should revert to the runner-up at the last ballot, which means to Mr Bevan; another suggestion is that, in order to avoid this, the Executive should try to keep the post on the shelf until the next party conference. The Executive could not, however, do this to the seat in the constituency section that Mr Griffiths would leave vacant if he became deputy-leader. That would have to go to the nearest runner-up; and this runner-up, who now seems likely to emerge as an unexpected junior member of Labour's high command, was Mr Sydney Silverman.

Changes in Union Leadership

CHANGES of great importance in industrial relations could shortly take place in the leadership of Britain's two largest trade unions. First, the death last Tuesday of the general secretary of the Transport and General Workers' Union (1,300,000 strong) leaves vacant the most powerful throne in the trade union world. It was only seven months ago that Mr Arthur (Jock) Tiffin succeeded Arthur Deakin in the office that was once Ernest Bevin's; he had been Deakin's chosen Crown Prince as Deakin was Bevin's, and had shown every sign of carrying on his predecessor's work with equal clear-sightedness and possibly more finesse.

The man whom Mr Tiffin had chosen as his own Crown Prince, and now the most likely successor to his office, is Mr Frank Cousins. It was Mr Cousins who declared recently that wages must rise, and that he does not accept the principle that wage increases must be related to higher productivity. This might suggest that, if Mr Cousins does succeed, the TGWU will cease to be a bulwark against economic and political extremism. But when Mr Cousins spoke—although no newspaper could say this at the time—the sad fact of Mr Tiffin's incurable cancer was already known; and many of those who saw Mr Cousins in obvious alliance with the Gaitskellites at Margate obstinately believe that he spoke last month less from his heart than with an eye to the election for a new general secretary. If these were indeed his tactics, they may well have been successful; for Mr Charles Brandon—who in last summer's election came second to Mr Tiffin, and whose views are rather more left-wing—has now decided not to stand against Mr Cousins.

More disturbing than changes in the leadership of the TGWU is the fact that a Communist, Mr L. J. Ambrose, has just been elected, in the usual very low poll, to the executive of the Amalgamated Engineering Union. This gives the Communists two members on an executive of seven, as well as one member who casts what they must regard as a useful vote at times; moreover, it is already known that Communists will oppose at least two members



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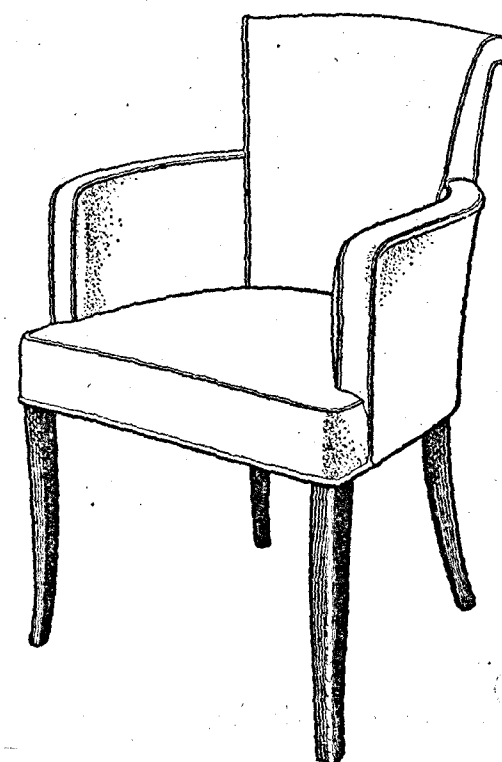
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who are up for re-election to the executive this year. It would be serious indeed if control of the major union concerned in the defence programme, with nearly a million members, were to fall into such hands.

Gold Coast Turning Point

THE publication of Sir Frederick Bourne's constitutional proposals brings the Gold Coast to a very critical point in its advance towards independence. The Gold Coast government (led by Dr Nkrumah and his Convention People's Party) has broadly accepted the proposals; so far, the opposition (the National Liberation Movement, which wants a federal constitution and more powers for the chiefs) has refused even to discuss them with Sir Frederick. If the opposition continues this negative and unconstructive attitude, then Dr Nkrumah may want to force a new constitution into operation against the NLM's will. This would almost certainly lead to bloodshed. Already, a number of Ashanti CPP members of the Legislative Assembly, elected with large majorities in 1953, dare not show their faces in their constituencies—and indeed spend their time urging a show of strength on the Prime Minister. The attitude of the opposition is "come and get us—and see what happens." This is a challenge, and it may have to be met if the NLM and chiefs do not see sense.

★

What chance is there that they will? Sir Frederick has flatly turned down their vague demands for a federal state, let alone a constituent assembly. Instead, he proposes "regional assemblies"—probably they could better be called "regional committees"—which would be formed jointly of members of the Legislative Assembly and of local councils. These bodies would have no powers of taxation, little of executive function, and none of sovereignty. But they would be designed to air local grievances; and to the chiefs Sir Frederick offers the considerable concession that no measure affecting their privileges should go before the Legislative Assembly without prior consultation with them, and a free vote thereafter. If Dr Nkrumah really accepts this, it is a long cry from his revolutionary days, when his programme demanded the early liquidation of the whole chiefly order.

Unfortunately, the NLM has found it so easy to say "no" without formulating a constructive alternative that its compliance at this stage would require a big change of heart. Yet it should consider where its present intransigence is leading. The CPP has held its hand a long time—so long that it risks being regarded as culpably weak in African eyes. It may have to act and so may the British: it may be wisest to accept Sir Frederick's proposed compromise and get on with independence. Even now the CPP would probably win a general election easily enough, except in parts of Ashanti. If transfer of full power to the CPP government leads to fighting, the NLM, which is feebly led, should remember the fate of the Southern Sudan.

Khrushchev's Switchback Budget

THE Soviet budget for 1956, which has been presented earlier than usual, is designed to yield a surplus of about 23 billion roubles (nominally about £2 billion), revenue and expenditure remaining almost unchanged at 597.9 and 568.8 billion roubles. The biggest change on the expenditure side is a cut of nearly nine per cent on defence, from 112.1 to 102.5 billion roubles. The familiar difficulty of measuring Russia's military strength by the appropriations for defence revealed in the budget is further complicated this year by a reduction in wholesale prices. But, unless prices have been specially rigged in its favour, the arms effort should not benefit from this reduction more than other branches of the economy. And a genuine decline in defence expenditure would be a natural complement to the much publicised demobilisation of 640,000 servicemen.

Share of Defence in the Soviet Budget (per cent)				
1952	1953	1954	1955	1956
23.6	20.8	17.8	19.9	18.2

The new budget thus marks some return to the pattern of Mr Malenkov's premiership. Last February Mr Khrushchev and his supporters deposed Mr Malenkov, and, to an accompaniment of bellicose noises, increased the published defence estimates by about 12 per cent. This aroused some fears in the West lest it was the prelude to an acceleration in the arms race. But it now seems that the "alarmists" did not win a complete victory in February.

The Soviet leaders' decision is now presented as a "move to relax international tension" (was the February move intended to heighten tension, then?). But it also clearly reflects the needs of the home economy. How big manpower problems alone are emerges in the revelation that the government has dropped its axe even more heavily on the civil service than on the army; it is announced that 750,000 officials have been sacked. The forthcoming five-year plan may answer another question that was raised at the time of Mr Malenkov's fall—how Russia's leaders plan in the long run to divide their country's still scarce resources between defence, heavy industry, the needs of the restive consumer, and the foreign "aid" which they have been promising so lavishly.

Butterfingers in Ottawa

IT is hard to believe that the Canadian government was taken completely by surprise when New Zealand recently lodged a strong protest in Ottawa about subsidised sales of butter to Czechoslovakia; for Canada itself has been a vocal and frequent critic of the United States for making precisely the same sort of deals. A question of principle is at stake, and if Canada intends to keep up—as it is perfectly entitled to do—its demands that the Americans should stop unrestricted disposals of subsidised commodities on world markets, it will be wise to stick to the rules of the game itself.

Canada has accumulated a stock of about 12 million

pounds of butter, thanks to the price supports extended to the farmers. The farming interests, which naturally fear that the supports might be cut away from under them, have been putting pressure on the government to get rid of the surpluses abroad. Some seven million pounds were disposed of earlier in the year to East Germany through commercial channels. The latest sale of a million pounds to the Czechs is at a price 19 cents below that given to the farmers. The New Zealanders complained that they were being undercut, but they have now accepted Canada's explanation and reassurances.

This incident, however, was a very clear illustration of the difficulty of prescribing rules for disposing of government-held surpluses on foreign markets which will be regarded by all parties as equitable. Even the apparently acceptable formula that subsidised sales are justifiable if they lead to additional consumption, and do not merely displace other suppliers, is not foolproof. Established suppliers are, naturally, never reluctant to claim long-standing connections with markets threatened by subsidised competition; and it is difficult to distinguish the greater consumption caused by the supply of low-priced surplus commodities from the natural increase in consumption which might have taken place anyway. If, then, it is impossible to lay down a simple set of rules governing the disposal of surpluses, the only practical alternative is to have maximum consultation between governments. Fortunately, the machinery for this is available in GATT and the Food and Agriculture Organisation (FAO); it is essential that it should be fully used.

Peking and Pankow

A NEW grouping in the Communist world has taken shape with the visit of Herr Grotewohl, the East German prime minister, to Peking, on what he called a "political mission of the first importance." He and Mr Chou En-lai have concluded a pact to "strengthen the intimate political, economic, cultural and other relations" between the two countries. A link already exists between them, for Soviet German heavy industry is an important supplier of China's needs; indeed, the Ruhr, too, is constantly being tantalised by the prospect of a share in the Chinese market if Bonn would recognise the "German Democratic Republic" and reject the United Nations restrictions on strategic exports to China.

The joint communiqué issued by the two premiers was a masterpiece of political *famille rose*, in which interference in practice jostled theoretically "non-interventionist" co-existence. They denounced the "United States aggressors" on Formosa, berated the Americans with "their puppet, Chiang" in connection with the admission of new members to Uno, and proclaimed support for "the just demand of India for the return of Goa, the demand of Indonesia for the return of West New Guinea and the struggle of the North African peoples for independence." The East German government, it was added, would welcome the normalising of relations between China and the German Federal Republic with an eye to the reunification of Germany "as a peace-loving and democratic state."

Herr Grotewohl also issued a joint declaration with the

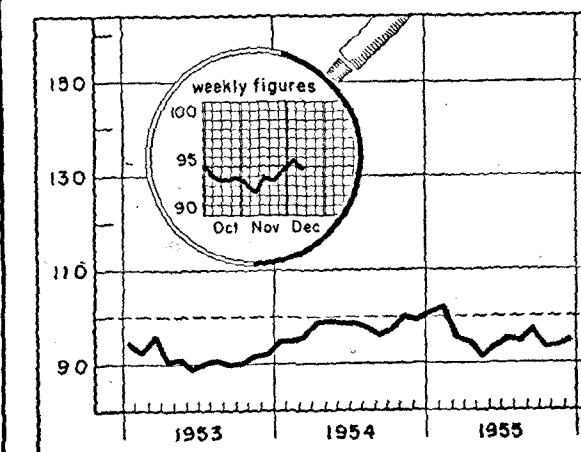
premier of North Korea, Kim Il Sung, demanding that all foreign troops should leave Korea and Germany and allow "their peoples" to arrange reunification—a tidy formula which confirms the belief that the Communist rulers have one uniform policy for all divided territories.

Though Herr Grotewohl's trip was doubtless made with Soviet blessing, to show that his state is worthy of recognition, Moscow may not have been altogether happy about its exclusion from the East German-Chinese rapprochement. It was not the first time that Mr Chou had ignored Russia in his public dealings with the Soviet Germans; he did so when visiting East Berlin last year. And the Chinese have more than once claimed a leading part as champions of "liberation movements" in Africa as well as Asia and other areas. The new pact may give a certain impression in the Communist world's eyes that the Pankow "Democratic Republic" is being released from the position of a purely Soviet puppet only to become a partly Chinese one.

When an MP Should be an MP

THE Attorney-General has announced that the Government will accept the recommendation of the Select Committee on Elections that no steps should be taken to validate the "election" of Mr Charles Beattie as Unionist member for Mid-Ulster. This decision by a Conservative Government to give up a Conservative seat may seem magnanimous, but the recommendation is nevertheless a mistake. Critics of the decision should be careful to explain why. It is quite true that, if the local Unionists and Conservatives had been sensible, neither Mr Beattie nor Mr Grosvenor (the member for Fermanagh-South Tyrone) would have come to Westminster at all. Once the two constituencies concerned had decided that they wanted to be represented (or rather not to be represented) in Parliament by two Sinn Féin gunmen currently in Belfast gaol, the Unionists should have let sleeping dogs

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lie. But the Select Committee was not concerned with this point; it had no power to comment on the court actions in which the election of the Sinn Feiners was overthrown, and Mr Grosvenor remains MP for Fermanagh-South Tyrone. The recommendation the committee sent to Parliament about Mr Beattie was based on quite different grounds.

These grounds are that at the time of his election Mr Beattie, like some other MPs whose membership of the House has since been validated by special machinery, was a member of certain national insurance tribunals which constitute potential—although not actual—offices of profit under the Crown. Moreover the committee considered that Mr Beattie had special opportunities to discover that he was technically disqualified. His "election" took place in August, after some of the committee's own recent reports had been published and while a widespread debate about the technicalities of Parliamentary disqualification was raging. The committee believed that "Mr Beattie and his advisers should have more carefully examined Mr Beattie's own appointments."

No doubt they should. No doubt his advisers were rather inefficient in this respect. But two awkward questions surely arise. First, would the Select Committee, but for what it calls the special "circumstances" of the Mid-Ulster election, have decided that a man with an inefficient organisation should not be allowed to take his seat in Parliament? Secondly, in future disputes, perhaps in marginal seats and in more narrowly divided Parliaments, will partisans in the House remember that special "circumstances" obtained in this case? Even if the present House of Commons Disqualification Bill is improved, as the Select Committee suggests that it needs to be, it is a fair guess that there will still be some involuntary disqualifications at future elections. Parliament should consider very carefully before, in understandably irritated reaction to this complex Irish comedy, it allows what could be a dangerous precedent to be set up.

No Junior College for Croydon

FOR the last twelve months a special sub-committee of Croydon Borough Council has been considering a proposal to establish a special and separate Junior College for the 300 sixth form boys and girls now scattered in Croydon's five small grammar schools. Just before Christmas the council, in a whips-on debate, decided to abandon this project. This was, on the whole, the right decision; it would have been a mistake to sweep out of the corporate life of the schools not only the top pupils, but also the best teachers. Yet the difficulties that gave rise to the proposal remain, and as a microcosm of a national problem.

At present, three-quarters of Croydon's grammar school staff are receiving "special allowances" for taking certain periods of sixth form work with a group of pupils who only amount to one eighth of their grammar schoolchildren. Inevitably, this means that some teachers are taking tiny groups of two or three children, following a specialised course at advanced level. This may seem to be a fine thing for those children. But, obviously, the extent to which schools can afford this sort of thing is limited. Sometimes, therefore, a grammar school pupil today cannot undertake

his first choice in an advanced course; and in some areas pupils are being prepared for university scholarships by teachers who plainly would not be capable of winning those scholarships themselves.

One obvious remedy for this is to increase the emoluments of the best teachers in grammar schools; it has long been clear that there is an overwhelming case for a substantial increase in teachers' salaries at the top, whether or not there is also a case for raising them substantially at the bottom. But that could not be the whole cure. Some education authorities are already arranging co-operation between their schools in handling sixth form work; and Mr M. L. Jacks, whom Croydon consulted, has suggested that they should do the same. There is surely a case for more swapping of children between schools at the sixth form stage, if their parents want them to take special courses, and for children in one school to make special journeys to another school for certain periods in the week. In not all areas would this involve the children spending an inordinate time on buses.

Kenya's Unhappy New Year

THE news that the government of Kenya has banned a new African political organisation, to be called the African National Congress, is not surprising; but it is not a happy omen, as a new year opens for the colony with Mau Mau almost crushed and an election in prospect. It came, moreover, in a week when the same government in Nairobi banned a book about the trial of Jomo Kenyatta, even after certain required expurgations had apparently been made; and also in a week when the Colonial Secretary, in an acrimonious exchange about Kenya with Mrs Barbara Castle, got decidedly the worse of the political tussle. Mrs Castle made use of her knowledge of the lamentable Kamau Kichina case to direct a general attack on the Kenya administration. Much of her attack was reckless, but it will have done good if it has reminded the Colonial Secretary how risky for him it is not to keep the closest watch on a colonial government with such a propensity for perpetrating embarrassing political *bêtises*. He needed the reminder at this stage, for there are disturbing signs that Kenya may be putting on political blinkers again.

Almost any book about Jomo Kenyatta would be unsettling to its African readership just now; and certainly any pan-African movement called a National Congress would be dangerous, carrying, as it does, overtones from the West Coast, from Nyasaland, and indeed from India. But what is more important is to consider why it is dangerous. It is dangerous simply because it would get a great deal of support. Mau Mau is almost finished, and the rehabilitated Kikuyu are filtering slowly back to society and their families from the training centres. The multi-racial government has had nearly two years of office—two years in which to win the loyalty of the population. The publication of the Coutts report—on measures to give Africans a more direct control over their representatives in the legislature—is imminent. The government has itself agreed that Africans must become more active politically, though it thinks that this should be on a district (i.e., a tribal) basis. It is clear that the scene is set for political change in Kenya; but it also looks as if the government does not believe that

the Africans can be trusted to make any sort of constructive contribution. This is a bad sign. The obverse of the emergency was supposed to be better political education for Africans. Has it had so little effect?

Guatemala Still Close-Hauled

IN only a very special sense can last week's election in Guatemala be called "free." The electors in this Central American republic had only two lists of candidates between which to decide. The first represented the National Electoral Alliance, the group set up and endorsed by President Castillo Armas's administration; the second the National Anti-Communist Front, which includes those "liberal" and anti-clerical elements which the government tolerates. Moreover, the electoral law passed in November made certain that only approved elements would be able to express their views freely. It provided that illiterates would not be allowed to vote secretly, and that in order to put itself forward at the polls a political party would have to present 5,000 signatures. This provision was designed to allow the government to obtain the names of its opponents and discover in advance the existence of any clandestine left-wing groups. The result, not surprisingly, was a victory for the government party but a very light poll.

Colonel Castillo would argue that, even with all these precautions, Guatemala's political stability is in danger. One thousand or more exiles are waiting just outside its borders to execute a counter-coup, and Colonel Arbenz, the pro-Communist president overthrown in July, 1954, has lately been travelling behind the iron curtain, seeking supplies and encouragement. In the country itself, many opponents of the regime are known to be in touch with the Communists, and to allow completely free elections might indeed be to invite the Communists back.

But other Guatemalans, and particularly the former participants in the left-wing but non-Communist administrations which preceded that of Colonel Arbenz, argue that the present regime is preventing democracy from taking root; that, by rigging elections and arresting the development of a genuine parliamentary opposition, President Castillo is driving his critics into the Communists' arms. The Independent Anti-Communist party has made itself the spokesman of these views and urged the people to abstain from voting. Although the elections have formally confirmed Colonel Castillo's hold, widespread dissatisfaction may force him to modify some of his more autocratic policies.

Boxing Day in Seoul

THE brief glow of Christmas good will that spread over the western Pacific last week seems to have faded. On December 21st, the text was published of a letter from President Syngman Rhee to a leading Japanese Christian, in which he expressed his sincere desire for peace and friendship between Japan and Korea, and suggested that

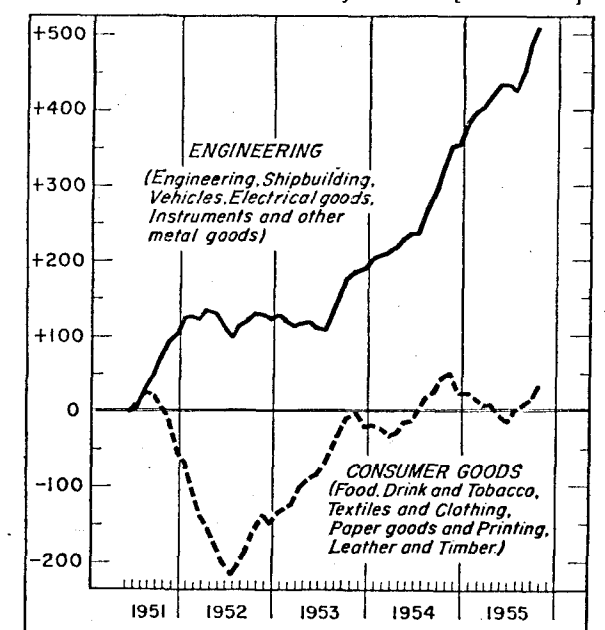
the long suspended talks between them be resumed—though he gave no hint that he was willing to compromise on his country's conditions. The moderate tone of the letter contrasted sharply with the shrill denunciations of Japanese policy that had marked South Korea's propaganda throughout the year, and which reached a climax a few weeks ago when its chiefs of staff threatened to open fire on any Japanese fishing vessels that crossed the "Rhee line."

On Boxing Day, however, normal hostilities were resumed. The morning before, Communist Chinese ships had fired on a South Korean coast defence craft and taken four prisoners; whereupon Seoul declared that the incident was proof that "China, North Korea and Japan were joined together in an aggressive plot to encircle South Korea."

But the week's events show that South Korean obduracy is not wholly impervious to conciliatory Japanese approaches. Dr Rhee's unprecedented letter was a reply to one in which a distinguished clergyman had apologised for Japan's misdeeds during its 40-year occupation of Korea. There is room for a little more such generosity on the Japanese side; the Ministry of Justice, for instance, might reconsider its refusal to free some of the Koreans detained at Omura—which the South Koreans seem determined to make a condition of the release of the Japanese fishermen they themselves hold captive. If the tangle of problems between the two countries—trade, fishing rights, the ownership of Takeshima island and the claims to former Japanese property in Korea—is ever to be unravelled, one side must make the first concession. The South Koreans seem in too hysterical a mood to do so. Mr Hatoyama and Mr Shigemitsu might well consider whether Japan's new democracy could not prove its good will (and earn high marks in the free world) by giving a little ground for the sake of friendship in the Pacific.

CHANGES IN EMPLOYMENT in GREAT BRITAIN

INCREASES OR DECREASES SINCE JUNE 1951 [THOUSANDS]



Books & Publications

Four Years of Foreign Aid

THE MARSHALL PLAN AND ITS MEANING.

By Harry Bayard Price.
Published under the auspices of the Governmental Affairs Institute.
Cornell University Press (London: Geoffrey Cumberlege). 440 pages. 40s.

IT is surprising that there is no good account of the most generous international act of the postwar world—the Marshall Plan. Mr Price has done something to fill the gap; but, perhaps through trying to encompass too much, he has narrowly failed to write a book that can stand as the definitive account of a remarkable achievement.

His study was prepared under the auspices of a private research organisation, the Governmental Affairs Institute, which had been asked by the Economic Co-operation Administration to prepare "an independent, objective history and evaluation of the ECA and the Marshall Plan." This coupling together of the histories of the Marshall Plan and of the government agency which was charged with administering the aid programme was a mistake, although presumably not one for which Mr Price can be held responsible. But the story, as he tells it, comes much closer to being an adequate history of the ECA than it does to being a satisfactory evaluation of the Marshall Plan, despite the contrary impression of his title.

The meaning of the Marshall Plan is not to be found in the lessons the administration of a unique foreign aid programme may hold for students of public administration, but in the depth of the co-operation among sovereign states to which it gave birth and in the revival of confidence and optimism in Western Europe which it nurtured. The interweaving of bureaucratic detail with the description of the evolution of a bold idea could not help but blur the outline. And the skimping of the European side of the co-operative effort, which the dual objective of the book perhaps made inevitable, results in a lop-sidedness in the total impression. The ECA lives; the OEEC (the European organisation which turned seventeen separate aid programmes into one, broke the shackles of bilateral trade, and was the instrument of a new co-operative approach to European problems) does not.

The importance of the issues that surrounded the establishment of the European Payments Union, the most imaginative and important achievement of the OEEC, would never be suspected from the abruptness with which the payments union is conceived and born in

Mr Price's pages. The relationship between the union and the sterling area, and all the soul-searching that preceded agreement, are dismissed in a footnote and a quotation, "There was a tough discussion with the British on this," recalled Harriman later, "but when Cripps came through, it was all the way." The book is at its best in reproducing, in a way that would be impossible for a later, or more objective, historian, the animus of the ECA. The enthusiasm, the tireless energy, the intelligence, the unbureaucratic disdain for red tape that characterised the ECA in its hey-day are all there. And so, too, is the impatience with the diplomatic niceties and the brashness that at times went with the enthusiasm.

Mr Price has sought to give life and eye-witness authenticity to his account by peppering it with quotations from three hundred interviews with participants on both sides of the Atlantic. This is a device that succeeds in spicing the story, but is used so frequently, and at times so indiscriminately, that the facts are occasionally in danger of becoming stifled by the personalities. And, although he has clearly sought a cross-section of opinion, those quotations he has selected to use in his text reflect some rather obvious biases.

But although some may feel that Mr Price did not achieve the objectivity for which he so clearly tried, the weakness of his book stems from its strength, his closeness to his subject. Future historians, and interested laymen, will thank him for having preserved in readable form a mountain of evanescent material, and above all for having caught the mood of exhilaration that made the Marshall Plan succeed.

Parade of Economists

THE GREAT ECONOMISTS.

By Robert L. Heilbroner.
Eyre and Spottiswoode. 320 pages. 28s.

THE lives and work of statesmen, literary men, explorers, scientists and many other types of notable have been treated by biographers, in the past, at all levels from the most solid and scholarly to the most chatty and popular. Those of economists have hitherto been regarded as of esoteric interest only. No one would call Mr R. F. Harrod's life of Keynes, for instance, dull; but no one, equally, would expect to find it in the hands of that lending-library public which eagerly peruses such books as Mr Paul de Kruif's "Microbe Hunters."

Mr Heilbroner's "The Great Economists" breaks into a new field; why, he has asked himself, should not economists be as fitting figures for popular biography as anyone else?

In that field he sets a standard not easy to beat, with a lightly-written, colourful and often penetrating account of the lives and ideas of a selection of economists, some great, some merely influential, from Adam Smith to Keynes and Schumpeter. He combines zest and fluency with a genuine capacity for hitting off the essentials of a particular line of thought, for the pithy presentation of successive historical situations and problems, and for the relation of different systems of ideas and angles of vision to one another. He has found his economists interesting, even fascinating, as individuals, and his successive thumbnail sketches, even if they have a touch of caricature, fairly wriggle with life; he has found the pursuit of economic truth as enthralling, and its motives as humanly important, as the tracking down of a virus or the opening up of a continent, and he communicates that enthusiasm.

That he is sometimes irritating and occasionally off the mark is hardly surprising. One's teeth are set on edge by the recurrent references to "Parson Malthus," and by an occasionally slapdash or slipshod or, more rarely, melodramatic style. There is some dreadful nonsense on colonialism—an economist really should know the difference between sovereignty and ownership. And, to quote Mr Heilbroner's own words, "some men of justly great fame to the professional economist have been cavalierly dismissed"—while Veblen gets as much space as Keynes. Though the choice, in a book addressed to the general reader without technical interests, is defensible enough, even the most general reader should not be left with quite the impression of relative magnitudes given here.

These defects, however, weigh light against Mr Heilbroner's achievement. For he really does put over the essence of Adam Smith's teaching, and Marx's, and Keynes's; of the controversy between Ricardo and Malthus; of the Utopian Socialists' ideas, and those of the later nineteenth-century heretics; of Schumpeter's sociology and of the current "state of debate" on the viability of capitalism. Refinements and qualifications may be lacking, and no one would go to Mr Heilbroner for an account of analytical progress; but the root of the matter—the contribution of each vividly-drawn idiosyncratic character to the world-picture of his time—is unerringly isolated and memorably, if often irreverently, recorded.

The two supplementary chapters for the English edition, on "Reformed Capitalism in Britain," by Mr Paul Street, are a pity. They do not key in either with the rest of the book or with one another and indeed read like matter quarried from two independently written (and frequently overlapping) essays.

The Female in Politics

THE POLITICAL ROLE OF WOMEN.

By Maurice Duverger.
Unesco. 221 pages. 12s. 6d.

WHEN Unesco decided to conduct a study of women's role in politics it did well to entrust its direction to Professor Duverger; as his book on "Political Parties" so well demonstrated, he combines political *sagesse* with a remarkable ability to squeeze the last ounce of significance out of skimpy statistics. For treating a topic so bedevilled with all the prejudices of the sex war and so poorly provided with reliable data these are useful qualifications. His most interesting report is a valuable addition to the thin stock of worthwhile literature on political behaviour.

Four countries were chosen for study. The choice is not explained, but Norway, as the only country which regularly publishes separate figures for men and women non-voters, and Germany and France, where certain towns and districts have counted separately, were obvious choices. Yugoslavia was, one suspects, selected for reasons that were political in a non-academic sense. But in fact the report takes little count of the behaviour of Tito's feminine followers; it is really a set of generalisations, or hypotheses directly valid only for the politics of Western Europe. Its findings, meticulously documented, are as follows:—Fewer women vote than men. They withdraw from political life rather earlier. Husband and wife appear to vote in the same way (though the report is cautious about asserting who influences whom). Nevertheless the feminine vote in total is more conservative and more "religious" than the male; this is thought to reflect a difference between unmarried men and women. Are women voters more unstable than men? The verdict is "non-proven." But they are probably more influenced by personalities, less wedded to one party and more inclined to make up their minds late in a campaign.

The report also re-examines the more familiar ground of women's part in public life or, as it puts it, in "political leadership." Here, too, the pattern in each country is broadly the same. Fewer feminine candidacies for office, elective or appointive; fewer successful candidacies; a greater concentration on certain "feminine" topics—the family, child welfare, etc. Is the reason masculine prejudice? Only rarely. More often woman's worst foe is woman. "It must be acknowledged that the small influence of women in state leadership is in large measure due to women's own inertia." M. Duverger somewhat dogmatically assumes both that this is a bad thing and that the criterion of women's success in politics is their ability to duplicate the role of men. This gives his concluding analysis a somewhat old-fashioned and at the same time despondent air. The trouble is, he concludes, with a sad bow in the direction of the obvious, "From birth women are involved in a system which tends to

make them think of themselves as feminine." Or, as Mr H. G. Wells more optimistically once observed, "The only difference between men and women is one of sex."

France in Ferment

BETWEEN TWO EMPIRES: A History of French Politicians and People between 1814 and 1848.

By M. D. R. Leys.
Longmans. 276 pages. 25s.

BY 1848 monarchy in France, both neo-Bourbon and quasi-constitutional, had failed: "the time for kings is past," said Thiers, looking to the conservative republic for the salvation of the men of property. Tenacious and fearful, the vested interests, created by the Revolution and consolidated under the first Napoleon, could accept neither Charles X's variations upon the *ancien régime* nor the smug, incompetent autocracy of Louis Philippe. Thirty-six years after Waterloo, a second Napoleon brushed aside the compromised republic and, amid widespread relief, re-established the Empire, the system which least dissatisfied most Frenchmen. Even Bonapartism could hardly survive Sedan, and the Third Republic—founded by dispirited monarchists, led by dukes—revived and perpetuated the restless, superficially unstable France of the Restoration and the July Monarchy.

Here, "between two Empires," lies an absorbing, complex problem in the relations of government and society. Politics were rich in scandal and manoeuvre, in every sort of experiment and absurdity. Under the eyes of the returned and envious *émigrés*, the *France bourgeoise* found itself; socialism and syndicalism were invented, as the masses stirred. The men of letters were never more brilliant or politically-minded. Posturing in and out of office, Chateaubriand personified romantic royalism; the *pays légal*, bullied by Thiers and lectured by Guizot, was depicted by Balzac; while Lafayette, Lamartine and the disciples of Saint-Simon outdid Stendhal's heroes in the ludicrous and extravagant. If France really became bored in these years, it is hard to see why.

Yet in this disappointing book Miss Leys almost succeeds in destroying the attraction of an excellent subject. The problems are half-posed; the suggested solutions talked round and abandoned. Concentrating upon the politicians, she relies upon a pedestrian chronicle, broken by digressions on some of the social questions and by anecdotes which can hardly fail to be agreeable. Analysis is sacrificed to narrative, and historical judgment to an intermittent search for parallels, surface resemblances to a later age. One is grateful for being reminded of a fascinating period in French history; but its interest and its significance are blurred. Far more of the reasons for the failure of constitutional monarchy appear in a few pages of Tocqueville's "Souvenirs" than in this laborious compilation.

A Professor in Fairyland

SURPRISED BY JOY: The Shape of My Early Life.

By C. S. Lewis.
Bles. 224 pages. 15s.

THE first part of the book is a captivating description of a boyhood, written in a prose that is at times distinguished. It is a delicate and wholly convincing portrait of a boy with a vivid imagination, with an appetite for the romantic, yearning after the fairy-tale and the saga without living in the fantasies which they evoked, filled with a sense of "passionate silent gazing at things a long way off." For him the revealing books, at different ages, were "The Tale of Squirrel Nutkin" and "Sohrab and Rustum" and "Myths of the Norsemen," until he grew into the young soldier who, without pretentiousness, could say when he heard the whine of his first bullet, "This is war. This is what Homer wrote about." The portrait is set off by picturesque miniatures of two rugged characters, his father who longed to be friendly but listened to no word that his son said, and the private coach who gave him the true education of his adolescence. For the adult professor, the child's yearning after the magic of Northerners was the instinctive, half-revealing, half-obscure inkling of the quest for the vision of God.

The last chapters contain a much plainer but still interesting account of his passage at Oxford from atheism to theism and then to Christianity by way of the idealistic philosophy still powerful in the early nineteen-twenties. In the middle of the book comes the one passage that wearies the reader. The author spent a year at a school which he decorously, but absurdly conceals as Wyvern. In order to be unhappy at a public school a boy should be intelligent, physically clumsy, and unsettled in his home life; probably any two of these qualifications together would be enough, but Professor Lewis suffered, in various degrees, from all three. His mother had died when he was young, leaving him an "urchin huddling for warmth in a bleak world"; his father was oddly remote; his thumbs possessed no sufficient supply of joints; and his one passion in life was reading. It is not surprising that he hated Wyvern. The trouble is that these descriptions of school life by disgruntled intellectuals read with a monotonous similarity, and this is the only boring part of a book otherwise studded with enchantments.

Sagas Retold

THE ULTIMATE VIKING.

By Eric Linklater.
Macmillan. 304 pages. 21s.

MR LINKLATER has had the idea of putting together the fruits of a long familiarity with the Icelandic Sagas to make a book. He provides a framework for his stories and his reflections by giving them a territorial centre in Orkney. From this centre he ranges

through the ages from prehistoric times to the late war, discoursing on the conditions of life of the Stone Age, elaborating a theory about the mysterious towers or brochs with which the islands abound, and discussing whatever else takes his fancy as he goes along. His history is quite uninhibited, for he claims an amateur's freedom of speculation, and many of his theories will probably not stand up to an expert scrutiny. But they are expressed with such freshness and good humour that they engage sympathy even when they do not enforce assent.

The main purpose of the book, however, is not to speculate about history but to recount the adventures of a long series of Viking rulers and visitors to the islands between the time of Ragnar Hairybreeks, "the first of the Norsemen known by name to come west-over-sea into Orkney" in the sixth century, and Sweyn Asleifson, who was killed in Ireland in one of the last Viking raids six centuries later. This last character, a man of the old northern virtues and vices in a rapidly changing Christian world, is the central figure in the book, and Mr Linklater writes of him with warmth and sympathy as of a man born out of due time. The stories of these adventurers are told in a robust and picturesque way, and the only criticism that can be made of them is that they are better, more memorably and inimitably told in the Sagas themselves. The effect, therefore, to anyone who knows the Sagas will be like that of holding a candle to the sun. But no doubt Mr Linklater will be content if his book introduces others to the literature which he loves, and which can in large part be found in readily accessible translations.

South Sea Islanders

FIJIAN WAY OF LIFE.

By G. K. Roth.
Oxford University Press. 192 pages. 21s.
CHANGING MELANESIA.
By Cyril S. Belshaw.
Oxford University Press. 207 pages.
17s. 6d.

THERE are several kinds of anthropologists. Some are exclusively academic, more concerned with cephalic indices and the groups of relationships within which people may or may not marry than with the things their subjects think and talk about and the things that make them laugh. Others are practical men and women—administrators, missionaries, teachers—who apply their anthropology to their daily work. Of the authors of these two books, Mr Roth's career lies in the Colonial Service and Dr Belshaw has had a few years of administrative experience in a part of the Melanesia with which he is here concerned. Both have thus been able to combine theory with practice.

Mr Roth is admirably qualified to describe the Fijian way of life, not only as for long a member (and now head) of the Fijian Affairs Department of the Government of Fiji but as having a considerable family tradition in cognate

studies. He is dealing with a virile and attractive race not so much in a state of transition as in the happy position of having been able to adjust its own civilisation—at once feudal and communal—to the modern conditions introduced by the white man and to the changes brought about by two world wars. His concise introduction gives a clear-cut "profile" of the colony's general characteristics. The chapter likely to have the greatest appeal to the general reader is the one dealing with the ceremonies that still play so essential and all-pervading a part in the highly ritualised lives of Pacific Islanders. Here the author's illuminating exposition and explanation of customs of such paramount importance to the people are particularly valuable. Not less illuminating are his accounts, free from the jargon with which some of the more theoretical anthropologists tend to obscure their texts, of the structure of Fijian society and the details of village life.

The illustrations brilliantly elucidate the letterpress and the book as a whole is not only an excellent introduction to those visiting this fascinating Pacific colony but an invaluable *vade mecum* for the newly joined Government official, who now has ready to hand the information and knowledge it would otherwise have taken him years to acquire.

Dr Belshaw's book differs from Mr Roth's in being concerned with registering and assessing change whereas Mr Roth's picture is that of a Pacific race that has happily found stability. The parts of Melanesia treated are the British Solomon Islands, French New Caledonia and the Anglo-French Condominium of the New Hebrides. His survey is a wide one: of all its aspects, the last chapter on practical considerations is probably the most valuable to the administrator, one of the categories to which the author addresses himself, and is full of sound appraisals and advice. Another chapter has an interesting analysis of the effects of Christianity on backward and isolated communities.

While Dr Belshaw's volume is somewhat more academic than Mr Roth's and therefore not quite so readable, it is analytical, critical, painstaking, the product of close, careful and worthwhile study. But for a printed book, of 200 pages, to announce itself as "a reduced form of parts of a thesis" conjures up a formidable vision of the powers of expansion which theses for research degrees have now apparently attained.

Shorter Notices

THE ENGINEER. Centenary Number. January, 1956. 15s. to non-subscribers.

The *Engineer*, which celebrates its hundredth birthday on January 4th, is a remarkable paper in many ways—since 1865, for example, it has been edited by one of the most respected dynasties in British journalism. The centenary issue that it produced this week is probably the

most handsome *Engineer* ever, if only for its quite delightful selection of wood engravings of nineteenth-century machines and feats of engineering. These lovingly-detailed illustrations, of which the paper proposes to publish further selections during 1956, and might well consider reproduction in some more permanent record, reflect a wholly different attitude to engineering from that of today—for instance, the remark of an engraver that a new pumping engine house "is of Gothic design, and is very handsome, and has not proved very costly. Many of the details have been studied from Ely Cathedral."

It must be added that they reflected nineteenth-century engineering a great deal better than photographs do today. Technical illustration suffered a blow from the half-tone process from which it has never recovered.

THE MONEY MARKET AND ITS INSTITUTIONS.

By Marcus Nadler, Sipa Heller and Samuel S. Shipman.
Ronald Press Company, New York. 331 pages. \$6.00.

This work by Professor Nadler and two of his colleagues is an admirable example of a book that is both a work of reference and a survey for the more advanced student. It examines the American money market, its connection with the Federal Reserve System and the Treasury and concludes with a valuable survey of New York's role in international finance. The bibliography alone would make it an extremely valuable addition to what is still a small shelf.

Books Received

INPUT-OUTPUT ANALYSIS: *An Appraisal*. Studies in Income and Wealth. Volume 18. By the Conference on Research in Income and Wealth. Princeton University Press. London: Cumberlege.

This book, which was reviewed in our issue of October 15, 1955, is now published in this country.

JUTE, CANVAS AND CORDAGE 1955-56: *Year Book and Directory*. British-Continental Trade Press. 252 pages. 20s.

INTERNATIONAL BIBLIOGRAPHY OF ECONOMICS: *Volume II*. Unesco, Paris. Her Majesty's Stationery Office. 384 pages. 42s.

BENN'S ENCYCLOPAEDIA OF HARDWARE 1956. Benn. 959 pages.

ROME AND CENTRAL ITALY. Edited by L. Russell Muirhead. Blue Guide. Benn. 650 pages. 42s.

THE HOSPITALS YEAR BOOK 1955-56. Edited by J. F. Milne. Advising Editor, S. R. Speller. The Institute of Hospital Administrators. 1,116 pages. 42s.

TARIFF PROCEDURES AND TRADE BARRIERS. By G. A. Elliott. Toronto University Press. London: Cumberlege. 306 pages. 48s.

This book, published under the auspices of the Canadian Institute of International Affairs and the Canadian Tax Foundation, is a study of indirect protection in Canada and the United States.

THE JAPAN ANNUAL 1955. Prepared by The Institute of World Economy, Tokyo. London: Bailey Bros. and Swinfen. 580 pages. 60s.

BON VIVEUR'S LONDON AND THE BRITISH ISLES. Andrew Dakers. 256 pages. 15s.

Letters to the Editor

How to Kill the Purchase Tax

SIR—Ever since you studded my (Merseyside) constituency with cotton mills I have been used to regular inaccuracies in your columns. As one of the not inconsiderable number of MPs who read *The Economist* from cover to cover every week because of its invaluable commentary on current events, I find it a pity to see inaccuracies on subjects one can check for oneself.

In your issue of December 17th I note that you dig out the hoary yarn that in my childhood "if he is to be believed, the things that only the rich were supposed to buy included shoes." These words would suggest that at some time I have made a statement to that effect. Could you kindly give me, in the interests of accuracy, chapter and verse for this suggestion?—Yours faithfully,
HAROLD WILSON
House of Commons, S.W.1

[The occasion on which we are supposed to have "studded [Mr Wilson's] constituency with cotton mills" was apparently in the *nuance*, although certainly not in the text, of an entirely accurate note called "The Anti-Monopoly Party" in our issue of March 5th last (see page 794 of that issue, and Mr Wilson's letter of complaint printed in the following week). The occasion on which we are supposed to have misinterpreted the *nuance* of Mr Wilson's own widely-publicised remarks about his contemporaries who went ill-shod to school was on page 1009 of our issue of December 17th. We are quite willing that anybody who reads these passages, and Mr Wilson's two letters, should act as judge between Mr Wilson and ourselves in comparing our relative senses of accuracy—and humour.—EDITOR.]

Calico Printers

SIR—Will you allow me, as director of a calico printing works until my family sold out in 1952, to comment on Mr Copley's letter in your issue of December 3rd? Mr Copley points out that the levy period of the redundancy scheme has still over four years to run. This conveys the impression that still more money must be raised to pay off the debt. In fact, so good were trade and the sales of plant that the debt was cleared by 1952.

It is up to industry to justify practices that are dangerous to trade in just the same way as, under the firearms law, it is up to an individual to persuade the authorities that he is a fit person to own a rifle. I think that the Calico Printers' Engraving Rental Scheme might pass the

test, but that intransigence on the main issues will not help the Federation.

Mr Copley regards the opinion of the Board of Trade in 1949 (in favour of the printers) as sacrosanct, and the recent decision as nonsense. Are not second thoughts often best?—Yours faithfully,
STEPHEN CAWLEY
Englefield Green, Surrey

Better Neighbours in the Pacific

SIR—Mr Kim's letter of November 26th may lead innocent readers to misunderstand the Japanese attitude towards Korea. *The Economist* suggested that Japan "tread quietly" on the principle of mutual understanding between Japan and her neighbours. Mr Kim observed, however, that to suggest that Japan "tread quietly" was just to urge Japan to hide her aggressive aims for the time being. People who know the real nature of the pacifism and "international co-operationism" now so popular in Japan will realise that the anxiety about Japan's aggressive intentions is unfounded. Nor is it easy to find a genuinely pro-communist trend among Japan's political forces, which are predominantly conservative, while its diplomatic policy is positively pro-western. Under the present Japanese constitution, there is little chance that any authoritarian or aggressive force will attain any substantial influence over Japanese politics in the future.

I agree with Mr Kim that it is unrealistic for Japan to claim 85 per cent of the assets of war-stricken Korea, and the Japanese government has often stressed the possibilities of settling the question in favour of Korea through political consideration. However, a somewhat strained theory of international law is the basis of the Korean claim for reparations from Japan. I am unable to accept the Korean theory, which runs counter to international law and the established principles of laws in civilised nations.—Yours faithfully,

H. SAKURADA,
Professor, Faculty of Law,
Kansai University
London, N.W.11

What Makes a Manager?

SIR—On the first page of your supplement (December 17th) there is a statement likely to mislead your readers. You write:

"Even before the war . . . the—still unorganised—profession of management consultancy made its appearance."

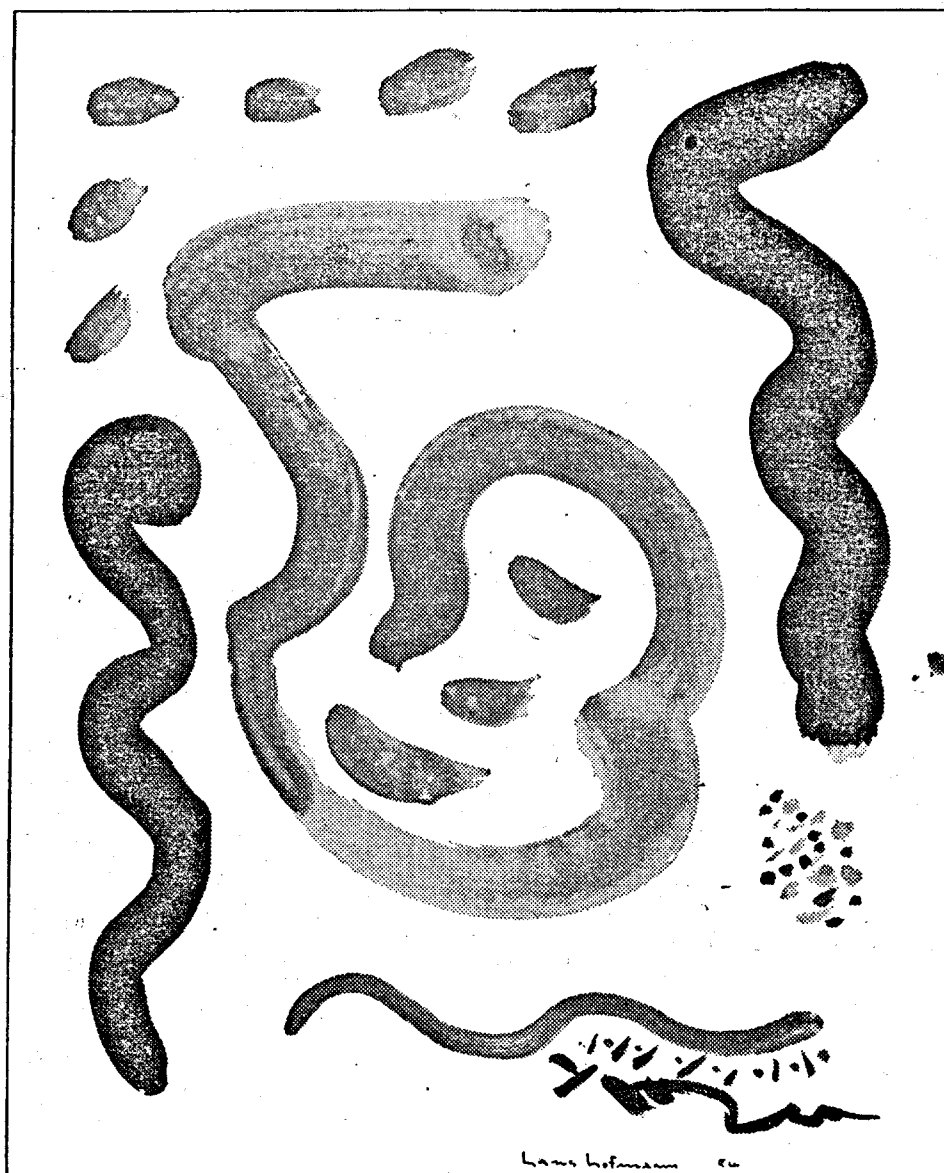
Before the war the profession of management consultancy was unorganised, but it is more likely that people would read that statement in parenthesis as referring to the present time, and this is hardly true.

I am a member of the Consultants' Registration Committee of the British Institute of Management, formed half of industrialists who have had considerable experience of employing management consultants, and half of elected consultants, and set up six years ago to examine the credentials of consultants practising in this country. It made independent reference to their clients, and inquired into the qualifications and experience of each member of their staffs—a much more searching test than is applied to any other register of professional people—and assured itself that for every special technique upon which the firm set out to advise there were men with suitable qualifications and practical experience to give such advice. The committee has held regular meetings since its inception and re-registers every year each consultant firm after an exhaustive review.

One can now say that there is an organised body of management consultants at the disposal of British industry, and that by applying to the BIM, any intending user of consultancy services can obtain a list of approved firms.—Yours faithfully,
J. SANDFORD SMITH
London, S.W.1

SIR—Your supplement (December 17, 1955) was most timely, arriving when the official scheme of management studies is under review. You point out, I believe rightly, that no scheme of studies can make a manager. Is it not correct, however, that unless a systematic appraisal of the "attitudes" and "tools" of management is undertaken, the manager still manages by hunches? If this is so the very large business organisation, with whose problems you mainly deal, may well be able to provide such an appraisal for the potential managers, but the smaller firm—which still constitutes the majority by numbers in the economy—has not the facilities to do so. For the smaller firm in particular the technical college provides this systematic approach and supplements training "on the job." It is not perfect and it will change, but it is essential.

This college is co-operating with the local branch of the Institute of Industrial Administration, in conducting a series of four weekend residential courses for managers and assistant managers. After the first two weekends, which dealt with the theme "Management and Supervision," thirteen out of the thirty attending replied "yes" to the question "have the courses corrected misconceptions which you held?" Here is proof, Sir, that there is room for a variety of approaches and that experiments are still taking place.—Yours faithfully,
JOSEPH LEVESON
Dundee Technical College



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.

Personalities for the Senate

Washington, D.C.

MR FRANK LAUSCHE, the Democratic Governor of Ohio, who has been regarded as a possible presidential candidate next November, has decided to concentrate, for the present at least, on trying to unseat Mr George Bender, one of Ohio's two Republican Senators. Mr Lausche's plans underline both the dynamic role of a State Governor, and the striking importance of personality in American politics.

The Governor's office is one of great dignity and, in most states, one of substantial political power. It has, however, a serious drawback: neither legally nor humanly can a Governor go on being re-elected. Some state constitutions forbid a Governor to succeed himself; in the remainder tradition and sentiment, surviving from the old jealousy of royal governors and from the principle of rotation of office, prevent a chief executive running for term after term, as do Senators and Congressmen. The American political system has thus accidentally evolved a mechanism which produces a group of men who, having tasted the sweets of senior office, must either get on, by breaking into federal politics, or get out of active political life altogether.

For the Democratic party in recent years the office of Governor has developed a special significance. It is only in statewide elections that the urban voter, who provides much of the Democrats' potential strength, can come into his own. In elections for the state legislatures and the United States House of Representatives constituency boundaries are often drawn in a way which favours the rural vote. In traditionally Republican states, therefore, the Democrats' best hope of raising themselves from the status of a permanent minority has been to capture the governorship and build on its facilities for patronage, publicity and political organisation. Mr Adlai Stevenson's sensational capture of the governorship of Republican Illinois laid the foundation for his rapid advance to national fame, while the classic example of this process has been that of Mr Mennen Williams, the young Governor of Michigan. After serving for two two-year terms as a lone Democrat among the elected officials of the state government, he not only brought off the unusual feat of being elected for a third term in 1954, but carried in with him a completely Democratic government and a virtually unknown Democratic candidate for the Senate.

Governor Lausche's record, also remarkable in its way, is ruefully contrasted by frustrated Democrats with that of Mr Williams. Defying all precedent Mr Lausche has been elected Governor of Ohio no fewer than five times,

while Republicans have been monopolising all other offices. Yet this astonishing man has fought all his campaigns as an individual, has not lifted a finger to help a fellow Democrat running for any other office, and has taken a peculiar pleasure in ignoring the local Democratic organisation when distributing the Governor's patronage. But now he has decided that it would be tempting providence to ask the Ohio voters to elect him Governor for a sixth time and that this year offers the best opportunity for taking the great gamble, for a man who obtains his votes on personality alone, of trying to carry his following with him when he switches to compete for a different office.

★

Mixed though Democrats' feelings are at the idea of so disloyal a son obtaining a major political reward, they cannot deny that he is the man most likely to win them an extra Senate seat; since the Senate is now divided 49 to 47 in their favour, this is something they cannot afford to despise. There will be at least thirty-three Senate seats in the balance next November, sixteen now held by the Democrats and seventeen now held by the Republicans. Eight of the Democratic seats are in the South and, with the possible exception of Kentucky, untouchable; five of the Republican seats are safe for that party. There remain eleven doubtful ones, where the personalities of the candidates may be just as important to the outcome as the general drift of the times.

The four Democratic seats the Republicans might win are in New York, Oregon, Washington and Nevada. Nevada is a very uncertain quantity; politics there are highly personal and the incumbent Democrat has just taken himself out of the race. In the others the Republican chances largely depend on whether three men are willing to stand—Mr Javits, the Attorney General of New York, a popular liberal Republican who would split the Jewish vote, which normally is overwhelmingly Democratic, and the Republican Governors of Oregon and Washington, Mr Patterson and Mr Langlie. None of them is forced to run for election this year by the expiration of the term of his present office; all three are more likely to risk their vote-getting reputations if the pulling power of Mr Eisenhower's name is on the top of the Republican list as presidential candidate. Mr Javits's chances would be greatly enhanced if Senator Lehman, now aged 78, decides to retire. The two Governors can expect no such luck. They would have to fight it out with Senators Morse of Oregon and Magnuson of Washington,

strong incumbents who will almost certainly win if they do not have this particular opposition.

But the seven states the Democrats might gain are even better examples of the importance of picking the right candidate. Apart from Ohio these are Maryland, Connecticut, Illinois, Pennsylvania, California and Idaho. Pennsylvania has in recent years been a success story for the Democrats, a case history of a minority party steadily capturing and consolidating successive bases of power. First in 1950 there was the city of Philadelphia, then in 1954 the governorship, finally last month the retention of Philadelphia in the mayoral election. Next year the Democrats will try to cap their success by putting up the retiring Mayor of Philadelphia, Mr. Clark, against the incumbent Republican Senator, Mr. Duff. By contrast Maryland is a horrible object lesson. Normally a Democratic state, the party there is eating out its soul in apparently unquenchable factional feuds that have now delivered both Senate seats and the governorship into the hands of the Republicans and will probably leave them there for some time to come.

But California, Illinois and Idaho are the most tantalising states for the Democratic strategist. There is little doubt that with strong leadership all three could be brought this year into the Democratic camp. But the astonishing fact is that in the whole state of California, where the Democrats have a majority of nearly a million among party members, no single Democrat with the authentic stuff of leadership can be found, so that it seems now as if the pedestrian and still almost unknown Republican, Senator Kuchel, will be re-elected. Meanwhile, in Illinois, the same people who returned the liberal Democrat, Senator Douglas, with a highly flattering margin in 1954, will be voting next November. The political climate is unlikely to move towards the Republicans, yet the odds are undoubtedly on the incumbent Senator Dirksen, a right-wing Republican of marked if oleaginous personality, unless the Democrats can produce some more inspiring figure than is at present under discussion. If the saying in a British election is that no candidate is worth more than 500 votes, the equivalent in the United States is that you cannot beat somebody with nobody; this remains true even if the somebody is not very much, no more for example than Senator Welker, the Republican who will presumably be running again in Idaho.

How Happy a New Year?

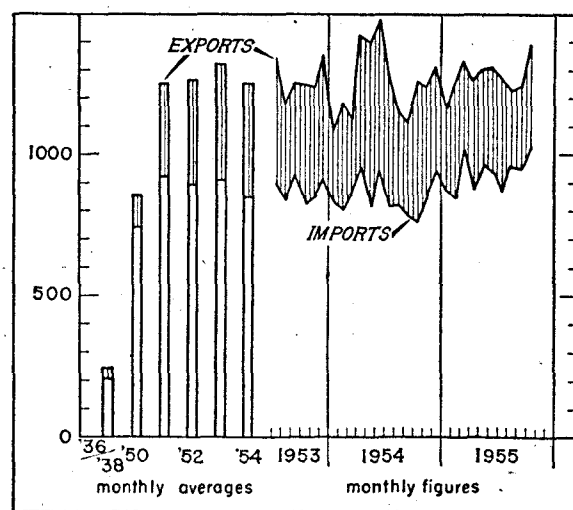
THE New Year is certainly opening well for the American wage-earners who in each of three consecutive months have taken home more money than ever before, as the result of high rates of pay and overtime. They have also been able to buy more with the money than ever before, since the average level of retail prices has gone up hardly at all, and is not expected to for some months. Nevertheless there may be more justification in 1956 than there turned out to be in 1955 for those trade union economists who are again predicting an increase in unemployment. At present it is running at around 2.5 per cent of the labour force, a practical minimum by American standards. But today there is none of the slack in the economy that there was a year ago, to enable the demand

for labour to keep pace with the ever mounting number of those wanting to work. Shortages of materials, especially of steel, and of credit are already hampering the continued growth of industrial production. This does not mean that a decline is coming, but only that in 1956 output is not likely to go on expanding at the almost unbelievable speed of 1955, the most prosperous year America has ever had in which the total gross national product rose to \$387 million.

There is one place in the economic picture where there is no sign of stringency, but unfortunately it is a place where plenty does not bring prosperity—the farm. The final crop report for the year shows that the number of acres planted was less than in any year since 1940 and that the wheat harvest was the smallest for twelve years. Yet output almost equalled 1948's record; when livestock and dairy products are brought into the calculation, 1955's total agricultural production was greater than ever before. The effects of the consequent fall in farm prices and incomes are now spreading through rural communities. There are other slightly ominous signs coming in with the New Year: automobile manufacturers are cutting back output; residential building is not rising as it was; new orders being placed with wholesalers have dropped somewhat.

But these changes are only disturbing declines when compared with rates of increase earlier in 1955; almost all statistical comparisons with a year ago show improvements, except where agriculture is concerned. And in spite of the now obvious danger of price inflation, forecasts for at least the first six months of 1956 are almost uniformly optimistic; after that political uncertainties make prophecy difficult—except in one respect. The fact that 1956 is an election year, and that a balanced budget is in sight, makes it almost inevitable that taxes will be reduced, at least for the lower income groups. There is plenty of argument about when and how, but little, in congressional circles, at least, about whether, this should be done. Lower taxes will encourage consumers to keep on spending and it is on their spending that 1956's prosperity mainly depends.

FOREIGN TRADE of the UNITED STATES
MILLION DOLLARS



House That Ford Built

IN preparation for the sale to the public of more than ten million shares of its common stock on or about January 18th, the Ford Motor Company last week filed a financial statement with the Securities and Exchange Commission. This eagerly awaited forty-page prospectus gave the outside world its first look at the secrets of an industrial empire which, in half a century, has grown from \$28,000 and an idea of genius to a vast enterprise with some fifty-five major plants and assets valued at nearly \$2.5 billion.

The prospectus goes back to 1946, the year in which the Ford Motor Company emerged from a brief postwar spell of heavy losses, was taken over by young Mr Ford and began a period of brilliant performance. Net sales

"Well, Heavens-to-Lizzie!"



in 1946 amounted to \$894 million; in 1953 they attained the record figure of \$4.2 billion, and if sales for the last quarter of the present year match those of the first nine months—which passed the \$4 billion mark—1955 will be the best year yet. For these first nine months of 1955, moreover, profits exceeded \$300 million and the prospectus shows why investors all over the United States are so anxious to acquire even a small lot of Ford shares, 3 million more of which are being sold than had been planned. They have a par value of \$5 and it is expected that they will be offered at a price of between \$70 and \$80 a share. Dividends in 1955 came to \$3.27 a share and the company has already announced its intention of paying a 60 cent dividend for the first quarter of 1956.

Without in any way detracting from the soundness of the

Ford empire or from its future prospects, it becomes possible to understand why the company and the Ford Foundation, whose stock is being sold, chose the present moment for the transaction. Had the prospectus been issued a year earlier the statutory obligation to list figures for the past ten years would have allowed the investor to look at a much less happy stage in the company's affairs. The last decade, in which net profits have amounted to more than \$1.5 billion, has been a uniquely brilliant one for the American automobile industry. Whether this pace can be maintained remains to be seen and even some of the more optimistic manufacturers frankly admit that 1956 may bring retrenchment. In view of all this, the Ford Company could not have chosen a better moment to show its books—and they are, indeed, exciting to read.

Teething Troubles

SODIUM FLUORIDE, a somewhat mysterious chemical which helps to develop teeth resistant to decay, is a burning social and political issue in many American communities. The benefits of fluorine were first discovered in 1928; sodium fluoride, added to drinking water at a rate of about 19 pounds in a million gallons, is at present being imbibed by some 22 million Americans in 1,123 towns and cities. Last week, moreover, results were published of a ten-year controlled experiment performed in two towns in New York State. In Newburgh, where there has been fluoridation, children between six and nine years old showed 58 per cent less dental decay than children of the same age group in neighbouring Kingston, with its untreated water. Among ten- to twelve-year-olds Newburgh's record was 52 per cent better. Thorough medical tests showed that those children who had been exposed to fluorine showed no ill effects whatever.

Ordinarily, such results might be expected to persuade the rest of the United States to follow suit. In fact, however, opposition to fluoridation is virulent and is founded on a series of arguments ranging from the scientific to the nakedly political. Despite assurances from the highest medical and dental authorities, many local physicians continue to preach the dangers of "fluorine poisoning." They are undeterred by the fact that chlorine, which is used to disinfect water supplies, is also a poison if given in sufficient doses, and they argue that ill effects may take longer than ten years to make themselves felt. In many town meetings, moreover, the level of scientific discussion is quickly abandoned and opponents of fluoridation simply denounce it as an example of "socialised medicine" and "state control" over the wishes of the individual citizen. If a red-blooded American does not wish to avoid dental cavities that, they say, is his constitutional right. In many communities those who are in favour of fluoridation are promptly classed with "left-wingers" and people who support Unesco and other "nefarious" causes.

In the long run good sense will prevail in more and more places. After hearing the results of the Newburgh-Kingston test, the board of health in New York City recommended that fluoridation be begun at once. Another 400 cities, including Chicago and Philadelphia, are preparing to do the same. But more than half of 231 communities in which the question has been put to a referendum have voted against

it and in some places fluoridation has been abandoned after being used for years. Sometimes a single wireless commentator or local politician, utterly ignorant of the medical facts, has turned the tide. Decayed teeth may be one of the tributes that have to be paid to the principles of popular democracy—but there is a way out: at least one major tooth-paste contains fluorine and statistics suggest that for adults this has even more effect than fluoridated drinking water.

No Dealer's Choice

IN its feverish efforts to sell seven or eight million new cars a year to a country which is already on wheels, the American automobile industry relies heavily on the retail dealer. That the dealer's lot is not always a happy one was suggested in the course of an inquiry into the General Motors Corporation which was conducted recently by a Senate sub-committee considering anti-trust questions. Originally, this inquiry was intended to study the effects on the American economy of the sheer size and ramifications of its largest industrial corporation, but attention soon focused on the relations between General Motors and its 17,000 dealers.

A number of them came forward to testify that they were being driven into unsound practices by the company's relentless injunction to sell more and more automobiles. They claimed that, to meet quotas set in Detroit, they had to extend fantastic credit to their customers, to offer ever-increasing prices for traded-in cars, and to cut their own profit margins to a bare minimum. Moreover, several dealers stated that General Motors was compelling them to accept expensive accessories with the new cars even though there was no demand for them. In spite of all this, they complained, General Motors simply suspends a dealer's franchise if his sales figures prove unsatisfactory.

Mr Harlow Curtice, the president of General Motors, and several of his senior colleagues stoutly defended their company's practices. They argued that selling automobiles was a fiercely competitive business and that dealers only lost their franchises if their performance was demonstrably falling below the national average. They pointed out, moreover, that since 1940 the investments of General Motors dealers in their businesses have grown from \$249 million to more than \$2.2 billion—largely from reinvested earnings. Nevertheless, in order to clear up "misunderstanding" created by the hearings, General Motors announced that it would henceforth offer its dealers five-year agreements to replace the present one-year contracts.

Senator Joseph O'Mahoney, chairman of the sub-committee, called this change "a step in the right direction," but urged General Motors to work out a less unilateral arrangement with the harassed men who sell its automobiles. Senator O'Mahoney is a veteran trust-hunter and it is curious that he should not have touched on the fact that nearly all of America's 40,000 automobile dealers are "exclusive" in that each works solely for a given manufacturer. Whether this arrangement does not constitute a restraint of trade is a legal question which hangs over the entire industry and which the Supreme Court may, before too long, be called upon to decide.

Museum Comes to Life

THE New York Museum of Modern Art commissioned its Calder mobile, the hanging construction of wire and gaily coloured metal plates which casts hovering shadows on the staircase wall, in 1939. It took fourteen years for mobiles to become a commercial proposition: 1953 was the year when every well-equipped nursery had a celluloid cow jumping over a plastic moon suspended on wires from its ceiling and every privileged débutante had rhinestones fluttering on silver threads from her ears. Now mobiles have been banished to the advertising doldrums of drug store displays. The latest thing in window-dressing in New York in 1955 was, it is reported, the Christmas story set in the familiar surroundings of the city's slums, in keeping with the recent return to realism in art.

That commerce should now be taking five instead of fifteen years to react to current artistic trends is a tribute to the influence of the Museum of Modern Art, although it does not deserve, or claim, all the credit. Glass walls in mass-produced houses, kitchen towels after Braque, bottles of perfume poised surrealistically on the seashore in magazine advertising pages, the Picasso on the wall which is now as valued a social and material asset as a diamond on the finger, all spring from postwar prosperity and competitive efforts to tempt the jaded consumer. But the war which cut off new ideas from Europe and sent European artists and art dealers to the United States forced American designers to seek inspiration at home. Together these developments have brought taste and discrimination—although often, it must be admitted, vulgarity as well—to the counters of luxury shops and super-markets alike.

When the war began the Museum of Modern Art, then only ten years old, in its new, contemporary building on 53rd Street, just off the most elegant part of Fifth Avenue, was ready not only to be an important source of ideas but also to make them respectable. It has arranged competitions for the best looking and most practical chair or electric fitting, with a manufacturer undertaking to produce the winning article commercially; in co-operation with Chicago's famous furniture centre, twice a year during the five years just ended, the museum has organised "good design awards" for household articles, often of the simplest kind—cutlery, for example—which are available to, and bought by, ordinary shoppers. The museum itself has been responsible for exhibitions of motor cars, of toys, and once of all the activities of an Italian firm, from workers' houses to the end product, typewriters, in order to show what can be done in these fields.

In applied design the museum frankly and with success tries to give a lead. In the other visual arts it only aims to introduce the visitor to modern movements, without necessarily giving them its approval. It has often included in its loan exhibitions of painting, sculpture and architecture the works of foreign artists when they were still considered rabid revolutionaries in their own countries. The museum shows photographs and films from its comprehensive collection, publishes scholarly books, has a lending scheme under which pictures can be rented from commercial galleries for private houses and institutions, holds art classes for amateurs of all ages, and provides a club room and cafeteria for its members. It is, in fact, a community centre,

but catering for a less specialised community than might be expected. The welcoming, lively atmosphere of this museum has drawn to it many people who go on coming even though they was at first, and perhaps still are, frankly appalled by what they found in its main galleries and its peaceful garden.

These contain the basic material of the whole enterprise, the representative collection of paintings, prints and sculpture, from Cezanne and Rodin to Mondrian and Reg Butler, a range that is fully described and illustrated in the admirable volume with which the museum celebrated its first stimulating quarter of a century.* Originally the museum, recognising the difficulty of assessing the lasting value of current works of art, and feeling that uninhibited experiment should guide the choice of exhibits, did not intend to establish a permanent collection. Works eventually thought worth keeping for ever were to go to other museums. But it has now been decided that a few exceptional pictures and statues, all produced since 1875, should be held permanently, to set the background for today's trends.

The selection which the museum is showing in London next week (at the Tate Gallery until mid-February), after a tour of other European cities, is from paintings and prints by American artists, one of the less known parts of its collection. This exhibition of work done since 1910, and almost entirely unfamiliar outside the United States, is part of the museum's latest enterprise, its international exhibitions programme, financed by a grant from a private foundation to enable the art of the United States to be shown abroad and work from abroad to tour the United States.

The museum has often before organised travelling exhibits within the United States. Indeed the rentals paid for these are one of its sources of revenue. Funds also come from payments for other services rendered, from the sale of publications, from individual and corporate subscriptions—the museum has 20,000 members—and from ordinary admissions; about 700,000 people visited the museum last year and some 25 shows are put on annually. Altogether the museum earns about two-thirds of its revenues; the rest comes from private contributions, sometimes in money, sometimes in work. Some members of the staff have been able to afford to give their services free, a system which is not without its drawbacks. Although it benefits from tax concessions, the museum receives no direct assistance from government funds, whether city, state or federal, except in connection with special duties which it sometimes undertakes. It has, of course, had many substantial benefactions; it was founded by three rich and enterprising women; the building, which is such an important asset to its work, was presented. But running expenses, and the cost of new acquisitions, are nevertheless a problem for this as for other museums.

It is not one, however, which is likely to defeat a project which was begun in 1929 and grew up in the depression years. Then Americans were generally artistically behind Europeans both in experiment and in experience. Today they are second to none in their appreciation of the arts, whether pure or applied. This is the measure of how the museum has, not without controversy, always with enthusiasm and imagination, achieved its purpose: "to help people enjoy, understand and use the visual arts of our time."

*"Masters of Modern Art." By Alfred H. Barr, Jr. New York. *The Museum of Modern Art*. Distributed by Simon and Schuster, New York. 240 pages and 356 plates. £5 5s. \$15.00.

SHORTER NOTES

The expert report on American agriculture from the Twentieth Century Fund, which was recommended in "Long Look at the Farms," on page 1030 of *The Economist* of December 17th, is published in New York by the Fund, at \$5, under the title, "Can we Solve the Farm Problem?" by Murray R. Benedict.

★

The Federal Power Commission has authorised the Pacific Northwest Pipeline Corporation to import natural gas from Canada to supplement the supplies it is bringing up from New Mexico and Colorado. There now seems no obstacle in the way of the provision, after years of discussion, of natural gas for Oregon and Washington, the last important area in the United States to be without this fuel. It is expected to be available next summer, although the Canadian supplies will not come in until 1957.

★

A trial, for murder, in Texas, has been televised for the first time. The camera was placed behind the jury, to protect their privacy, and the sound of its turning does not seem to have been disturbing. The audience was said to number about 200,000 and to include students in civics classes. From all reports the dignity of the court was not upset as the American Bar Association had predicted when it condemned the televising of such proceedings.

★

Eggs are to be sold in individual plastic packets instead of fragile shells; the new type of unbreakable packaging will be carried out by machines, not by hens, and the yolks and whites will be transferred to their new covering without being mixed, or touched by human hand. It is thought that the new looking eggs will be sold more cheaply than in their traditional form, since they will be easier to handle.

★

The Department of Labour has produced a study on productivity in manufacturing industry which puts the annual increase between 1947 and 1953 at an average of about 3.3 per cent, which is just about what it has been ever since 1909. A somewhat similar study by a congressional committee suggests that there has been a marked advance in the annual rate of increase in productivity during the postwar period in employment outside of factories and off farms.

★

A plan has been worked out for a double pipeline, for oil and natural gas, to be laid underwater off the Louisiana coast of the Gulf of Mexico. This would collect the output of the increasing number of offshore wells; at present barges are the only, and very expensive, method of bringing this oil and gas to dry land.

★

A shortage of pennies—one cent pieces—has forced the United States Mint to suspend production of all other coins—nickels, dimes and half dollars—and turn its thoughts only to pennies.

The World Overseas

Communist Undertow in Singapore

FROM A CORRESPONDENT IN SINGAPORE

THE Special Branch of the Singapore police began its battle with Communism in 1927. It is believed that one of the earlier gambits of the chief of the Branch was to introduce Loi Tak into the Malayan Communist party in 1934/35; he was subsequently gratified to learn of his agent's election as Secretary-General in 1939. As a move in the game, the selection of Loi Tak might be described as masterly. It represented, however, a higher standard of play than could well be maintained after Loi Tak's disappearance (with the funds) in 1947. The achievement of the police in G. K. Chesterton's novel—in which *all* the members of the Anarchist Council turned out to be detectives—has not been repeated in real life. The Singapore Communists are now to be numbered in thousands. Since the time when they tried to murder the last Governor but one, their methods have been outwardly peaceful. But that does not mean that they are inactive.

The crucial moment in a revolution is reached when the government of the day can or will no longer protect its friends. After a Strafford has been thrown to the wolves, the execution of Charles I is only a question of time. In that sense revolutions are caused by the power against which they are directed. The unrest in Singapore arises mainly from the British promise of self-government — to the Chinese-speaking a sign of weakness, to the English-speaking a mere betrayal. There is here a marked contrast with Hongkong, where the absence of unrest is due, at least in part, to the British decision to maintain direct rule. As seen on the map, Hongkong appears more perilously isolated than Singapore. But the local Chinese are less impressed by this than by the spectacle of the British flag apparently nailed to the mast. While it is immovable at the mast-head they can afford to be loyal to it. Once it begins to descend, if only by inches, they must look elsewhere for protection.

Logically, the position in Singapore and Hongkong is exactly the same. The flag was hoisted in both places before the population arrived. All who landed in either place stepped on to British soil, choosing to do so because it was British. If disappointed, they were (and are) perfectly free to go elsewhere or go home. They are not free to complain that the territory is under British rule, for they or their ancestors were perfectly aware of that when they chose to settle. This they would mostly admit. That Britain could not protect them against the Japanese in 1941-42, they apparently forgive. What they cannot do is support a regime which is intent on suicide.

Communism in Singapore, like patriotism in Hongkong, thus owes its strength to British policy. It owes its recruitment to the Chinese secondary schools and especially to four of them. Of the ill-paid and ill-qualified Chinese teachers, a fair proportion are Communist and a larger proportion intimidated by their Communist pupils. Of the pupils, a proportion are of the professional student type, with ages ranging up to twenty-two or more. Over pupils of this kind, no head teacher has any authority. Nor would he be supported against them by the terrified tradesmen of his School Board. Chinese businessmen dare not openly oppose the activities of those who may be ruling Singapore tomorrow.

Communism is a religion, and its religious opponents, Catholic or Methodist, would ordinarily rally to the British flag. These are free at least from the prevailing desire to be on the winning side. The non-Communist electorate should also be strengthened by the output from the English schools, more especially from about 1960. But the focus of loyalty—the Queen, the flag, the national anthem, revered as recently as 1950—has been virtually withdrawn. The elements of opposition to Communism exist but have lost their centre of positive allegiance. Can they find another? Is there time to create a local patriotism to replace the loyalty that is gone? For any such rallying of local sentiment, time is desperately short.

The likelihood is that no reaction against Communism will gather strength until more of the disadvantages of Communism have been experienced or at least perceived. The final objection to Singapore going Communist is that it would then cease to exist. Defence against Communism may rest ultimately not in the hearts and minds of the people but in the nature of the facts. For Singapore, depending as it does on trade with Britain and the United States, can no more afford to quarrel with these powers than it can afford to quarrel openly with China. For Singapore the motto should be that the customer is always right. This lesson may have to be learnt from the sagging graphs and empty bellies of a declining trade. The mischief is, however, that such a decline, effective as it may be as a warning, is easier to cause than to reverse. The lesson, when learnt, may be learnt too late.

For there is, after all, no particular reason why the dotted lines on the map should converge on Singapore. The oceanic ships might call instead at Sandakan, where the oil of Brunei is close at hand. The international airlines could

shift their routes and find a new centre at Labuan—they might do so in any case for reasons merely geographic. The Malayan exports of tin and rubber might reach the sea at Port Swettenham. The Straits Trading Company might decide to do its smelting at, say, Klang. Singapore might become so insignificant that no one would notice whether it was a red republic or not. It is to be hoped that its citizens will see the danger in time.

Atomic Co-operation

ON Wednesday the Organisation for European Economic Co-operation released a report on the possibilities for co-operative action in the development of nuclear energy. It is the fruit of six months of study and soundings in twelve European capitals, by a three-man working party of the organisation. During January the OEEC Council will decide what action to take on the suggestions which the working party has put forward.

The somewhat unusual procedure of releasing the report before it was considered by the Council was presumably adopted to gain a public hearing for a possible alternative to the "Euratom" proposals drawn up, practically simultaneously, by the group which has been meeting in Brussels under M. Spaak's direction in accordance with the Messina decision of "the Six." At one time it seemed probable that the Spaak committee would report to the foreign ministers of the Six before the OEEC had completed its study. But the fall of the French government interrupted its work and the two reports will now come up for decision at approximately the same time. Although the advocates of the more supranational "Euratom" undoubtedly hoped for a prior consideration of their proposals, there is much to be said for having the principal elements of an alternative scheme written down for all to see rather than lurking disturbingly in the background. And, in spite of the differences of view between the two groups on precisely how Western Europe should organise itself to exploit most efficiently the possibilities of the nuclear age, the OEEC document should do much to increase public understanding of why joint action is necessary.

Fissile or Fertile

The report of the OEEC starts off with a lucid summary of the steps in the production of nuclear energy which the layman must understand before he can begin to think intelligently about the problem of international co-operation. It describes what a reactor, or atomic pile, is and what it does. It also explains the difference between "fissile" materials which are directly usable in a bomb as well as for fuel in a reactor and "fertile" materials which must be processed before they become as efficient a fuel or usable in a bomb. The fissile materials are U-235, a constituent of natural uranium, and plutonium and uranium 233 which do not exist in the natural state but can be produced from the "fertile" materials U-238, the plentiful constituent of natural uranium (139 parts of U-238 to 1 part of U-235) and thorium. Natural uranium, although used in existing reactors, if "enriched" with U-235 by an extremely costly "separation" process becomes not only a far

more efficient fuel but also bomb material. The report thus clarifies what has too frequently been obscured—that an adequate programme for the production of nuclear energy for peaceful purposes inevitably means the production (in a reactor or in a separation plant) of "atomic bomb" material.

From this report, from the earlier OEEC study of the energy resources of Western Europe (the Armand report), and from what is known of the "Euratom" proposals there would now appear to be much common ground among the experts on the dimensions of the problem, and widespread agreement that Europe's industrial future may well depend on the development, without more delay, of an adequate nuclear power programme. There is also general agreement that the staggering capital expenditures, the potential rewards of more extensive experimentation than most countries can afford, and the security implications, all point to some pooling of effort.

The divergence of views arises over whether to rely essentially on co-operation among governments or to establish an atomic community to which governments would assign by treaty certain sovereign powers, as they have already done in the case of the Coal and Steel Community. The alternative proposed by the OEEC stops some way short of the supranational, or federal, solution urged by M. Spaak and M. Monnet, but contains proposals which, if adopted, would break new ground in co-operation among governments.

How much Control?

Briefly the scheme proposed to the OEEC Council by the working group calls for a high level Steering Committee for Nuclear Energy which would be set up by the Council and would be responsible to it; a Control Bureau, also within the organisation and responsible to the Council; and "joint companies" which would carry out certain types of production and applied research. National development programmes and investment projects would be submitted by the member countries and discussed in the Steering Committee with a view to eliminating duplication and avoiding serious gaps. The Steering Committee would also stimulate the establishment of joint companies, but once established these would be independent of it and the Council.

The report has only tentative suggestions to make as to whether the joint companies would be analogous to international joint stock companies or intergovernmental agencies, or a mixture of the two. And it becomes even more sketchy and tentative when it turns to the problem of the control of fissile material. The underlying principle is that control should be maintained over the output of the "joint companies" but not over other fissile material. Since the one thing that is completely clear is that the construction of a separation plant, the principal source of fissile material, would have to be undertaken by a joint company, this is probably a better principle than it at first appears, particularly since virtually all other fissile material is already covered by bilateral undertakings with the United States.

There are many loose ends in the report and it is far from being a definitive blueprint. In many respects the assumption that national responsibilities should not be impaired, from which the OEEC group starts, makes it more difficult to find adequate yet simple answers than does the more radical assumption from which the "Spaak

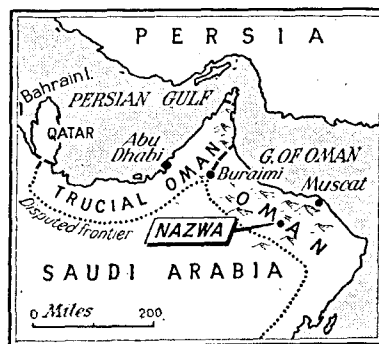
committee" starts. Both groups still leave room for ingenuity and invention. But it is already clear that when the definitive discussions among governments begin late in January the participants will realise that their task is to find the best means of co-operation, not simply to examine the question of whether anything needs to be done. The need has been amply demonstrated.

Echoes From Muscat

THE singularly bloodless desert operation (one shot fired, no casualties) carried out before Christmas in the sultanate of Muscat and Oman seems to have provided grist to a variety of propaganda mills. The Sultan can hardly have expected, when he sent a small force to assert his authority in the almost empty interior, that it would stir up international dust clouds as well as local ones. At its approach to the old fort of Nazwa, the Imam who had been trying to organise a separatist movement among some of the nomadic tribesmen found his followers melting away, and prudently made off by way of a window at the back. The local chiefs lost no time in protesting their loyalty to the Sultan, and that, it seemed for the moment, was that.

However, the echoes of that one shot reverberated as far away as New York, where Mr Abdel Rahman Azzam, the active and eloquent Egyptian who was formerly secretary-general of the Arab League, now appeared as an official spokesman for Saudi Arabia, and publicly accused Britain of having "invaded the independent state of Oman." The Sultan of Muscat and Oman certainly enjoys British protection and assistance, and there are British officers in his modest forces; but the "independent state of Oman" is an entity whose status and extent would be hard to define. Even its Saudi patrons do not appear to have maintained a diplomatic mission in its capital, wherever they think that was.

Quick on cue, the Soviet press and Moscow radio were busy last week linking this "aggression against Oman, on which Britain is trying to impose its domination," with the earlier affair at the Buraimi oasis, where a Saudi emissary who had moved in with armed escort and bulging money-bags failed to browbeat or buy over the local population and was eventually ejected. There is, indeed, a connection between the two affairs, but hardly of the kind the Russian commentators were thinking of. Recent prospecting in the hinterland of Muscat and the sheikhdoms to the west has quickened Saudi Arabia's interest in these small neighbours. Although their coffers are already bursting with oil revenues, the Saudis seem unable to bear the possibility of royalties from wells so near at hand going to others, and their obvious remedy is to push their frontiers forward, occupying an



oasis here, devising and sponsoring an "independent state" there. Their activities have enabled Moscow to talk gleefully of "the struggle between Britain and America" over Arabian oil. There is, however, a flaw in the Soviet commentators' simple picture: American companies are at work not only on Saudi territory, but also on that of the Sultan and the sheikhs.

Hard Choice for Israel

FROM OUR CORRESPONDENT IN TEL AVIV

THE Israeli economy has been spared sudden jolts during the last couple of years. The "new economic policy" introduced in 1952 fixed the exchange rate between the dollar and Israeli pound at a fairly realistic level. Imports of raw materials and machinery allowed factories and farms to work steadily. Ample supplies of finished goods made rationing unnecessary and kept prices steady. Production in agriculture and industry rose and even the balance of payments improved as exports expanded.

This improvement was due to several factors. First, as capital investments began to mature, a steady increase in supplies, both for the internal market and for export resulted; second, German reparation payments, in the form of capital goods, raw materials and consumer goods reached the market; third, mass-immigration, which earlier had made such colossal demands on the economy, came to a standstill. There remained, it is true, a good many people in transit camps and full employment was made possible only through emergency schemes. Moreover, the deficit in the balance of payments still amounted to more than \$200 million a year. Nevertheless the economic future seemed more promising than ever before.

But the Israeli economy now seems to be faced with another period of upheaval. The first storm signals appeared last July during the closing stages of the election campaign for the third Knesset. Prices, which had been fairly stable until then, suddenly began to rise and an energetic campaign for raising basic wages, which was carried on by the left-wing parties, Achduth Avodah and Mapam, created a restless mood among the workers. Immediately after the elections the government raised both the taxes on building-materials and the customs duties on a number of consumer goods. These measures caused an outcry and strengthened the Left's campaign for higher wages, but the government maintained that in order to avert inflation it must syphon off superfluous purchasing power.

Disquiet over Taxes

But that this was only one of its motives became clear when the Minister of Finance tabled a supplementary budget of £113 million. In addition, he asked for £23.5 million to buy shares of the Electric Corporation as well as the sum of £25 million which is now being collected by public subscription for buying arms. The ordinary budget for 1955-56 which amounts to £633 million, is, therefore, being increased by £161.5 million, and as most of the extra money has already been spent the Knesset will have no choice but to confirm the additional expenditure. This sup-

plementary budget showed that the government has in fact spent much more than it was entitled to do. Housing schemes have been pushed forward too quickly and emergency schemes have been launched to forestall unemployment. The Minister of Finance tried to silence his opponents by announcing that the supplementary budget did not require new taxes. But the public knows quite well that new taxes and customs had been introduced only a short while previously and it fears that the promises to ease taxation will not now be kept.

On top of the budget difficulties comes the demand for an increase in basic wages. During the last two years the Labour Federation, under the leadership of Mapai, has stuck to the principle that wages should be raised only if it could be proved that productivity had also risen. In spite of this, wages in many branches of industry have been adjusted by improving social services, by the introduction of overtime or in similar ways. The Minister of Finance has strongly denounced wage claims at the present juncture and although he has been supported by many fellow members of Mapai, some leaders of the party are afraid that a stand against wage claims will not be understood by the rank and file. Moreover they do not forget that Mapai lost a good deal of ground during the last elections.

The wage issue is complicated by the "revolt of the professions." Those members of the professions who are employed by the government, the municipalities or the Labour Federation have suffered heavily during recent years by the peculiar way in which wages and salaries are linked to the cost-of-living index. Since increases in the index are made good in full only for the lower wage-levels, differentials in wages and salaries have been seriously narrowed. Physicians, lawyers, architects, university professors, have fought strongly for decent salaries and have even on occasion gone on strike. A commission appointed by the government to study their grievances proposed a new salary scale. But when this was accepted by the government — with certain changes and after endless delays — Mr Moshe Sharret, who was then Prime Minister, also granted increases to the lower grades of government officials. And the Minister of Finance has, somewhat unreasonably, appealed to those in the higher grades to waive half of the salary increases promised to them so that it will be easier to fight wage demands all along the line.

Reckoning with the Left

Almost everybody, except the left-wing parties, are agreed that an increase in basic wages now would mean runaway inflation. But the matter will be decided on political not economic grounds. The Labour Federation in Israel is so powerful that nothing which it opposes will be carried out. The leaders of Mapai will try to delay a decision until the spring so that they have more time to work out a solution which will both avoid inflation and yet not give too much scope to left-wing propagandists. But they must certainly reckon with the latter. Achduth Avodah and Mapam today sit in the cabinet and nobody wants a government crisis just now. It is significant, however, that the Minister of Finance has got into touch with the General Zionists—although they are now in opposition—in order to secure their help in fighting wage demands.

In addition to heavy government expenditure and the threat of higher wage claims there is also the growing expenditure on arms and a new increase in immigration. This

year the number of immigrants will reach 45,000, mainly from Morocco, and some people even clamour for 60,000 immigrants a year. This means higher expenditure on transport, reception camps, housing, emergency jobs and settlement. It is doubtful whether the Israeli economy—in spite of help from abroad—will be able to bear this double burden of higher defence spending and increased immigration without sacrificing part of the development projects which are needed to absorb the immigration. Leaders of all parties continue to demand defence and immigration in the same breath as development. But sooner or later they will be forced to make their choice between these conflicting ends.

German Socialists Watch Their Ranks

ONE good result of Mr Molotov's blank refusal to allow free elections in all Germany, and Herr Ulbricht's threats to communise the whole country is to be seen in the German Social-Democratic party. Herr Ollenhauer, in the post-Geneva debate in the Bundestag, for the first time gave an unequivocal pledge not to accept Communist terms, and his party is now preparing to combat the steady infiltration of Communists into its ranks. This is part of a decision to concentrate on internal policy, which will be laid down at the next congress in January. The Social-Democrat leaders have reached a dead end in their demands for a "German plan" for reunion. They are continuing to press Dr Adenauer to take the initiative with the Russians, on the principle—so dear to German hearts—that "something must be done, even if we do not know what"; but long overdue thought is now being given to the role of the Socialists as a labour party which will probably join a new coalition government after the 1957 general election.

There is nothing revolutionary about the German Socialists' home programme, which is adjusted to the fact that Professor Erhard's liberal economy has been an

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admitted success. In the eyes of even the right wing of British Labour, the programme is indeed decidedly conservative. It calls for a moderate dose of planning, with plenty of competition, and for the nationalisation of only the basic industries. In the sphere of social welfare, the Socialists will lead a much-needed campaign to clear up the jungle of different overlapping schemes, through which only a dedicated expert can at present find his way. And they will fire some bigger guns than hitherto in the traditional struggle against Catholic schools.

Efforts were first made to prevent Communist infiltration at the beginning of this year, when it became known that the East German leaders had ordered a renewed drive to capture the trade unions and the Social-Democratic party. At first, the SPD expelled members who went without permission on any of the innumerable Communist-organised visits to the Soviet zone. This sanction has had to be dropped, not least because it is harder to convince German workmen that they should ostracise their fellow-countrymen in the Communist zone, now that the Soviet leaders have been invited to Britain and President Eisenhower has publicly embraced Marshal Bulganin. Instead, an attempt is to be made to prepare the western trippers to meet Communist dialectics and showpieces, and also to convince any delegations from Eastern Germany which make a return visit.

The German trade union federation is also overhauling its defences against the Communists in the factories. A very healthy shock was felt at the news that a majority of Communists had been elected to the works council of a big steel plant, where the known party members are in a small minority. By British standards, this victory seems puny, but the Germans' reaction was not exaggerated, in view of the peculiar danger to which their divided country is exposed.

Uruguay's Economic Headaches

BY A CORRESPONDENT

URUGUAY, still the most stable democracy in South America, faces a new situation after the dramatic upheavals on the opposite bank of the River Plate. In one way, it can hope to gain from the change of regime in Argentina for, with the improvement in diplomatic relations between the two countries and the partial lifting of exchange restrictions, the once lucrative flow of tourist traffic from Argentina to the beaches of Uruguay will probably be resumed. But in another and more significant way the recent changes in Argentine policy will adversely affect Uruguay. The devaluation of the Argentine peso will increase that country's ability to sell its products in foreign markets and, as many of these products are directly competitive with Uruguayan exports, Uruguay, in the interests of its own export trade, may well have to follow suit.

During the immediate postwar years and again during the Korean war, Uruguay profited from high prices and sustained demand for its major exports. Recently, however, the position has changed. World prices for many agricultural products have declined, and the problem is often one of surplus rather than of shortage. The relative rigidity

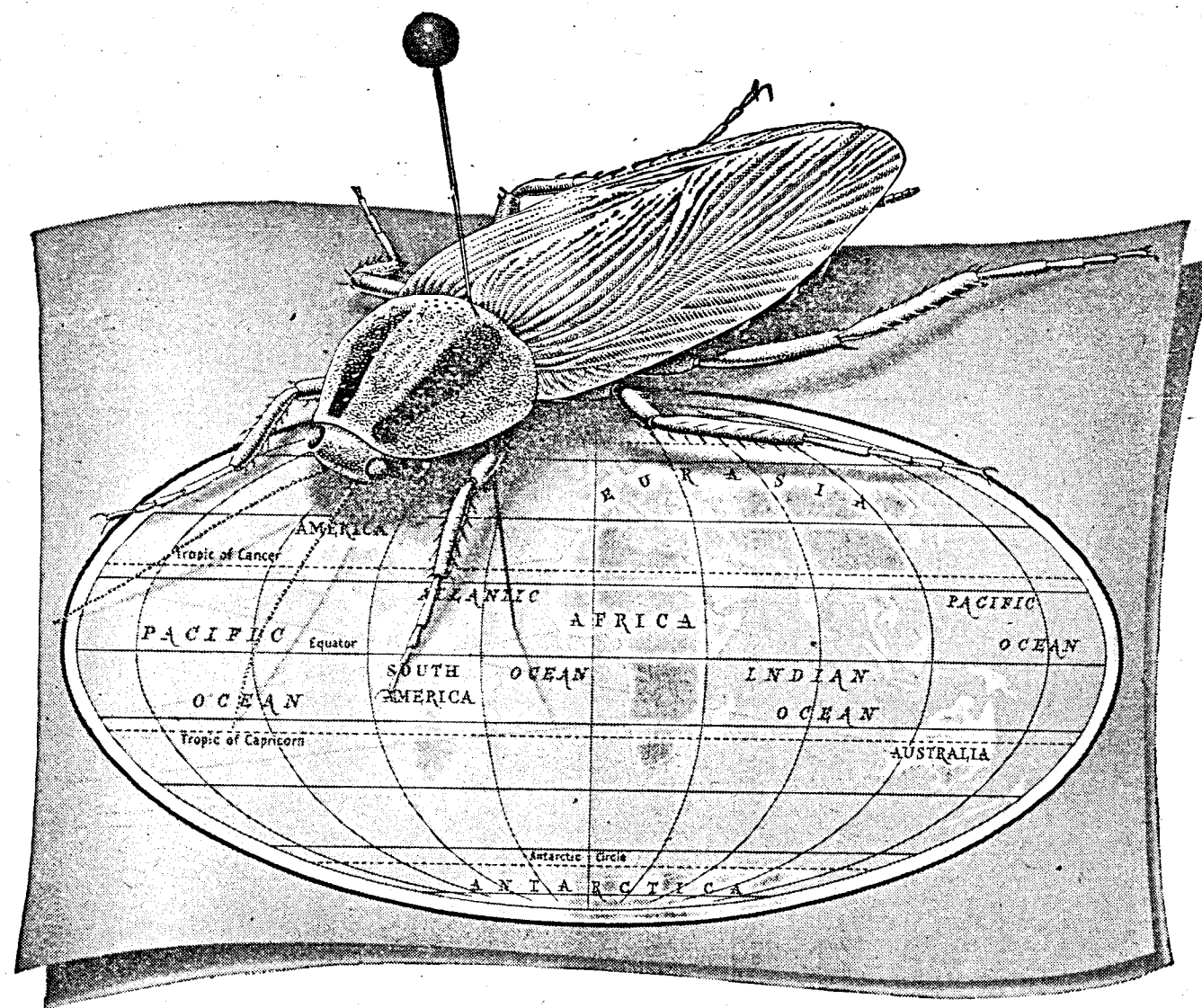
of its prices and mistaken agricultural policies have increased Uruguay's difficulties and tended to price it out of world markets. Last season, for example, Uruguayan wool producers refused to accept the prices offered, with the result that at the end of the season, on September 30th, about one-third of the clip remained unsold, while much of the rest had to be disposed of at prices lower than those that had been rejected some months earlier. A belated attempt to promote sales of wool by conceding a more favourable rate of exchange for wool provided only a partial solution to the problem.

The major error in agricultural policy during recent years has been the encouragement, through the establishment of relatively high support prices, of wheat production at the expense of cattle raising. This has caused both a severe crisis in the livestock industry, and a substantial increase in official holdings of wheat, which at the present rate of exchange, can only be sold abroad at prices too low to cover the sums paid out to the farmers. The shortage of cattle has meant insufficient supplies to the home market, the inactivity over long periods of the meat packing plants, and discontent among employees in the meat trade. It has also caused Uruguay to take the unprecedented step of approaching Argentina to supply 60,000 head of cattle for processing. In view of Argentina's present position, such a move can only be explained as a gesture of friendship on the part of the new regime and, even if carried through, can only provide a temporary solution to Uruguay's difficulties. By lowering the guaranteed minimum prices for wheat, the Uruguayan authorities have shown their realisation of past unwisdom but it will naturally be some years before the livestock population can again be built up.

Threat of Financial Chaos

The declining export trade has not only led to a drastic pruning of imports but has also caused severe financial embarrassment to the government. Much of the revenue required to maintain the highly-developed welfare system and to provide a degree of protection for high-cost domestic industries was previously derived from duties upon foreign trade and from the operation of a multiple exchange system. The revenue from duties has, however, fallen along with the decline in foreign trade, and the profit from exchange operations has largely vanished as a result of the granting of more favourable exchange rates for a number of export products.

So far there has been no modification of financial policy to meet the changed circumstances. Nor has there been any attempt to correct the basically anomalous position in which the constant demands of the welfare state are largely met by revenue derived from foreign trade operations—revenue which is necessarily subject to repeated and at times substantial fluctuations. It has long been an article of faith in the Batllista party that a tax on personal incomes should not be introduced, but it is hard to see how the imposition of such a tax can be deferred for long without producing financial chaos. Meanwhile, although various measures have been submitted to Congress, no major increase in the level of indirect taxation has yet been sanctioned. Mounting deficits in the public finances have been met by a series of *ad hoc* measures, mainly short-term borrowing, and this, together with the increased price of imported goods, has led to a pronounced rise in the cost of living and to widespread labour unrest.



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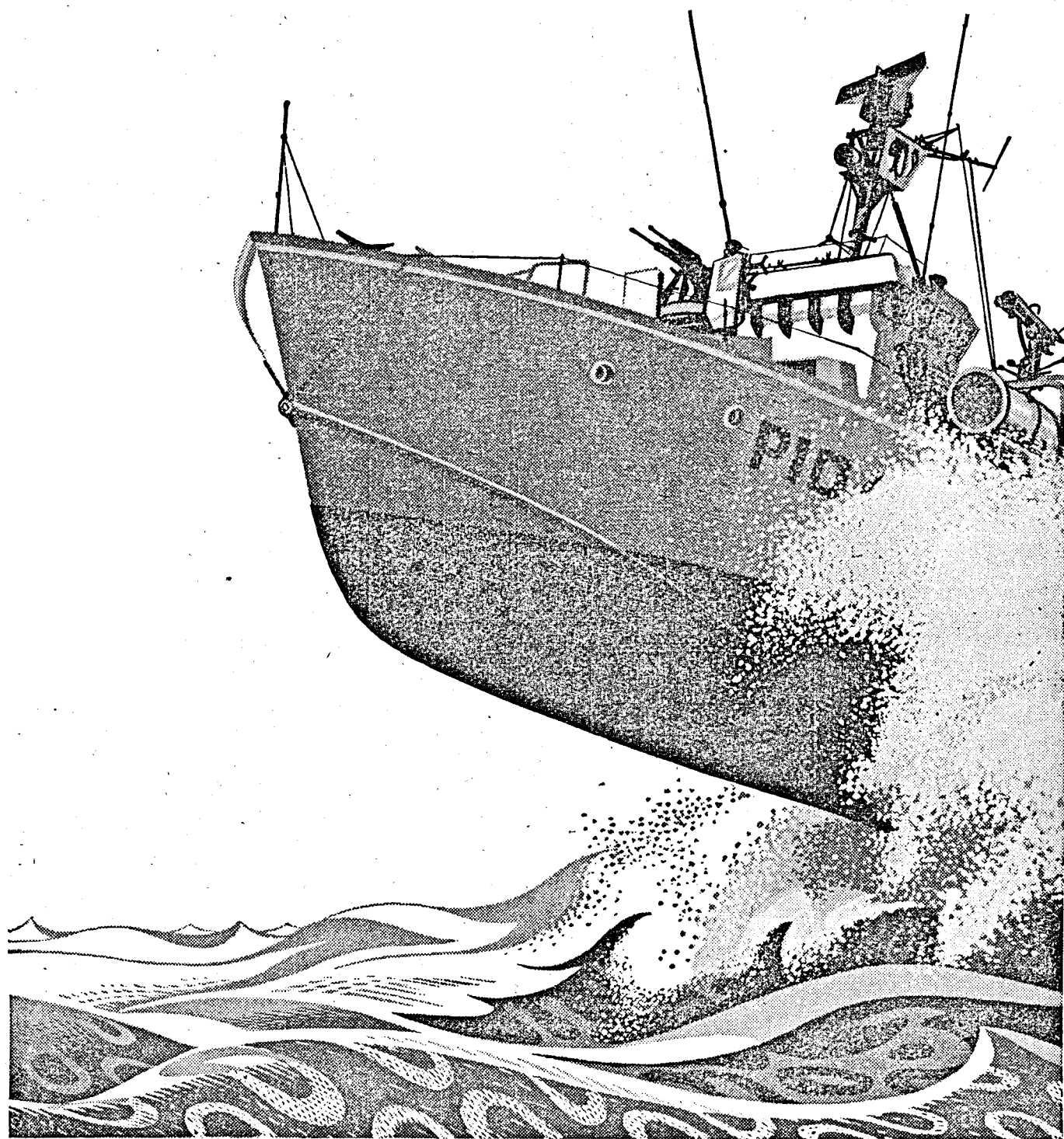
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THE BUSINESS WORLD

Safety on the Rails

DISASTERS, it is said, often go in threes. British Railways have just spent a most unhappy Christmas in the shadow of three collisions in each of which a stationary train was hit by a following train. The collision at Woking on December 23rd could easily have become a shambles to match the Harrow catastrophe of 1952, but by great mercy only 14 were injured. At Luton on the previous day one passenger had been killed and 50 injured when a train delayed in the station was overtaken by a following train. And less than 24 hours before this crash, there had been another at Hellifield in Yorkshire of the very same kind, fortunately with only one person injured.

This series of accidents has alarmed the new Minister of Transport, Mr Watkinson, who spent Christmas Eve in urgent conferences with the British Transport Commission. It has alarmed the public too, for people were brooding unhappily about the possible causes of the two other serious accidents in the previous month—a derailment at Didcot (the second derailment in 1955 on a Sunday afternoon) in which 10 people were killed and 100 injured, and a particularly shocking collision at Barnes, early in December, in which an electric train overtook a goods train, killing 13 and injuring 35 people. In 1954, no passengers were killed and only two seriously injured in the 1,197 train accidents that occurred; this year nearly 50 passengers have been killed and over 200 injured.

This has been a black year for railway safety—so bad as to imperil the reputation of British Railways and to impair the confidence of the travelling public. The causes of this recent clutch of accidents will be investigated by the railway inspectors of the Ministry of Transport with their habitual thoroughness and fairness. It would be improper to attempt to prejudge the inspectors' reports; and it would be utter folly if the public were to run away with the idea that these accidents stem from some single vicious factor—"the

incompetence of the Commission" let us say, or "the indifference of the men." Safety does indeed depend on good equipment, good management, and unremitting attention to duty. If there have been defects under any of these heads, the inspectors' reports will certainly reveal them.

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It is necessary, all the same, to strike a note, not of panic, but of proper public concern about the recent record on British Railways. A cluster of accidents does not mean that British Railways have suddenly become seriously unsafe; it may be little more than a kind of statistical mischance. But something of a common pattern does seem to emerge from this year's accident record. Derailments on Sundays, when diversions from fast running lines under repair are common, should not occur if drivers have committed to mind the railways' traffic notices and if they are thoroughly attentive to the lineside signals. The derailment at Didcot is the more perplexing since this stretch of line is protected by the Great Western form of automatic train control which repeats by bell and siren in the engine cab the "clear" and "caution" aspects of each distant signal, and applies the brake if the driver does not acknowledge the caution indication. If the inspector's report on the Didcot derailment should show that the integrity of this apparatus was unquestioned, it will demonstrate that absolute safety cannot be guaranteed (even though it is surely strengthened) by automatic train control.

Of the sequence of rear-end collisions, it is impossible to form any view in advance of the investigations, save that they suggest failures of the human element, in driving or in signalling, rather than failures of equipment. The causes, again, have still to be established, and no presumption can take the place of the inspectors' findings. There are occasions when minor mechanical

difficulty can distract drivers or signalmen during vital seconds and lead to accidents that haunt for the rest of their days men guilty of no more than a minor lapse that was blown up by a quirk of fortune into a major tragedy. Failures of that kind will occur so long as men, no matter how devoted to duty, remain fallible, and no man charged with duties less responsible than running railways should be slow to forgive them.

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The cases that are less easy to understand are departures from rules of working on which safety completely depends. "It is difficult to explain this extraordinary lapse on the part of a driver with such a long record of trustworthy service and who had an intimate knowledge of all the characteristics of the route." That was Colonel Wilson's conclusion about the behaviour of the conductor driver who was responsible for the train that was derailed because of excessive speed at Sutton Coldfield last January. The regular driver should have been on the footplate with him, but was travelling instead in a compartment; the inspector found that he was thinking only of his personal comfort and did not accept the excuse that he put forward for leaving his post of duty. A senior signalman admitted during the recent enquiry into the Barnes collision that he had not set a very good example to younger signalmen by leaving his box 20 minutes earlier than the time booked in the records of the adjoining boxes.

Such conclusions about individuals in positions of high responsibility are painful, even when they are balanced by the many occasions for commendation—one occurs in a report issued this week about a derailment last summer: "the signalman was alert and acted promptly." All the prompt and clear-headed actions—and how many there must be—go unrecorded; if they had been late or confused, disaster might have followed. Yet the public is less confident than it ought to be about the state of morale and vigilance throughout the railway system. The signalman has always been regarded as the steadiest man in the railway community—one of absolute integrity with a working discipline ingrained in his mind and utterly dependable though alone and isolated in his wayside box. Social and economic changes may have done something to weaken that sense of dutifulness, not indeed to the point of making railways unsafe but perhaps to the disadvantage of the sense of dedication that some of the younger men bring to their work, and even of their adequacy in an emergency.

Colonel Wilson's annual reports for the past two years have praised the high standard of attention to duty by all grades of the railway staff, and that is surely the fair view. Yet the fact remains that in each of these years there were between 1,100 and 1,200 train accidents, and of these half were attributable to the human factor. Whether a lot of people are killed or injured

is almost capricious, for slight margins of time or of physical clearance may make all the difference between a narrow squeak and a dreadful calamity. The human element is still the condition of safety, even when the most elaborate mechanical and electrical safeguards are incorporated in signalling systems. Automatic train control, even of the most advanced types, has not wholly prevented accidents, on the Western system, on London Transport railways, or on certain American railways. The most foolproof signalling equipment with the most visible lineside indications affords no protection against an engine-driver who, for whatever reason, disregards their warnings. The signalman who departs from well-tested rules imperils his colleagues as well as the public. The factors that keep these responsible people alert are many; satisfaction in the job and a sense of personal fulfilment are among them. Something seems to have weakened them—and perhaps the inter-union troubles on the railways during the past year have led to bad blood and lower morale.

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Any notion that the railways' development plan would promote a new sense of enthusiasm among the staff has certainly been so far falsified. The plan talked of the wide extension of power-operated signalboxes, one of which would replace several manual boxes. Such improvements can make a major contribution to safety (though they do not guarantee absolute safety, for the remarkable derailments at Bethnal Green in September, 1953, and at Thirsk in January, 1954, showed that the most modern equipment still suffers from its gremlins) and the railways' plan aims at spending £100 million on signalling and traffic control improvements.

But although this money is a long way short of spent, the immediate reaction among the men seems to be fear of loss of overtime money. They would show a more rational attitude by accepting the scheme wholeheartedly on the assumption that it ought to be capable of making the railways pay handsomely and then bargaining most strenuously for a satisfactory share of the gains. That, perhaps, implies such a radical change of view on the part of railwaymen as to make it inconceivable; indeed, if railwaymen were capable of such imagination they might be the less capable of working the railways as they now exist. Yet the acceptance of the major premise of the plan that main line speeds of 100 miles an hour will be secured rests on such a change of outlook, on the acceptance of wholly different standards of working, and on a real willingness to contribute towards—and fully to share in—positive prosperity for British Railways. That is a long-term chance. But in that high state of efficiency, British Railways should also enjoy a high degree of safety, for they would be run by a staff that was tense and on its mettle, stimulated by new methods and not relaxed in its vigilance through over-familiarity with old ways.

Money for Jams

ONE can easily argue that no sensible man now drives a car into the centre of London to work every day unless he has a garage booked to park it. If so, the main problem of London's traffic is to find the shortest way to deal with about 30,000 dissenters. London did not grind to a halt in Christmas week, as one gloomy observer had prophesied, but during the whole of December it was bad enough. And fairly or unfairly—the evidence is not quite conclusive, though few experts disagree—perhaps the biggest single share of blame for the thrombosis that is increasingly affecting London's traffic circulation is usually put upon the long-term parker. Today, at an informed guess, there may be 50,000 or so motor vehicles parked in streets in the "inner area" of London at any time in working hours of the five-day week—and surveys suggest that two-thirds of them stay parked for two hours or more.

The blame cannot be exactly allocated because no comprehensive survey of London's traffic and parking has ever been made. But the broad case against the long-term parker—who seems most often to be the person who commutes to and from work in London by private car—seems plausible. Major commercial deliveries into and out of London (for example to and from markets) affect internal traffic congestion, but generally avoid rush hours; buses run all day, but do not park in the centre of London; much of the through goods traffic is outside peak hours or stays outside the central area; and so far the shopper by car, who comes in after the morning peak but may go out with the evening rush, and parks a car for a short time, seems to play an insignificant part in London traffic.

Major or only a minor culprit, the long-term parker makes notable contributions to congestion in two of the major "flows" of London traffic—movement inside London during the day, when he converts huge areas of the London carriageway into a vast parking lot, and movement in and out of London during peak hours, when he uses road space on the main approach roads to London to less economical purpose in the transport of people than almost any other vehicle. London Transport's smooth advertising homilies last year upon the text "The buses must go through" were profoundly irritating, but there was some sense in the smugness. A bus at peak hours, which may be carrying about 60 people in about 200 square feet of driving space, is a far more efficient user of road space than the private car using about 80 square feet for its average load of less than two commuters, and at peak hours to go by Underground railway is often a faster way into London than going by car except for the shortest trips.

The car, admittedly, goes from door to door—or from door to where the driver finally manages to park—and conditions on the tube or the bus at peak hours

are not exactly such as to attract marginal customers with comfort and speed; but in terms of traffic congestion, the commuter by car who parks at the kerb all day has a good deal to answer for. He does not, of course, answer for much of it—which is part of the reason why he continues to come in and do his bit to jam traffic. He pays some part of this "social cost" he imposes by the sheer nervous strain of driving in peak traffic—or his chauffeur does—but he gets his parking free, save for risking a fine, when he finally secures his few yards of kerb. Opinion in this country is gradually coming round to accept that he should be charged for this by parking meter, to impose some disincentive. But at which kind of parker should the meter be aimed—and how much should it charge?

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Most of the proposals made for installing parking meters in central London streets have been aimed at the short-term parker—the car shoppers who may multiply and the people who have to move about London making short stops. These proposals have usually been linked with plans to accommodate the long-term parker of today in new room off the street—in the garages that should be provided in each new office building, in commercial garages, but primarily in new garages to be subsidised by local or central authorities, under the London squares or on vacant sites in London streets. The prices charged at meters would be geared to those charged for this new off-street parking, and the charges in those new garages would be "such as would attract motorists."

Nobody has suggested that such attractive charges would make the proposed new garages pay; their advocates have recognised that subsidy would be required. But what has not generally been faced by these advocates is that their plans would at best merely ease congestion inside the inner area of London and would in no way alleviate the peak-hour congestion on London's approach roads. What seems highly possible, moreover, is that to provide subsidised parking for the long-term parker might suck yet more cars into London—even if meters were installed wherever parking is allowed on through streets inside the city, as logically they should be.

What is the alternative to subsidising extra parking space off the street in Central London? If one can assume that the present number of cars parked alongside kerbs throughout the inner area is as much as traffic flow can stand—and many people would say it is already more—the question of cost presents itself in fairly simple terms. The real cost of providing space to park an extra car in London would be the

cost of providing new parking or garage space there commercially and operating it at prices that would bring in as high a return as one could get from using the space in other ways—for example, by building the offices that are today using up more and more bomb-site car parks. At present, that return is of the order of £1 a year per square foot super—i.e., on each floor one builds.

Existing commercial garages in the centre of London get much less than this. Their prices amount to only about 6s. a year per square foot, based upon the historical cost of premises built before the war—and on the difficulties of competing with free parking on the streets. Such prices would certainly not justify the erection of new garages today. In parking room, paths and ramps a garage may need 200 square feet for each car space. To obtain the kind of return one can get from other buildings in London today one would need about £200 a year per car—something of the order of 15s. a day of the five-day week, three or four times the rate that commercial garages now charge.

If parking one's car beside a London kerb is now worth about £4 a week, it is not surprising that most students of the capital's traffic problem have thrown up their hands and plumped for a subsidy. But they may have given up too soon. All that such an estimate suggests is that until long-term car parkers in London are prepared to pay as much as that for all the parking space that a reasonable flow of traffic can allow, one cannot provide parking space off the street for them in Central London without a subsidy. But to swing from parking at full cost to parking at prices that disregard cost merely accepts false alternatives—and, incidentally, ignores the possibly greater significance of the commuter by car in helping to jam the roads in and out of London at rush hours.

For the present, surely, the price that should be charged for parking wherever it is allowed on the streets in London should be related not to the cost of providing space off the street in Central London, but to the cost of providing parking space off the street outside Central London and finishing one's journey by tube. This autumn London Transport has done one particularly useful service to London traffic; it has begun to provide car parks at a number of stations not too far outside the inner area where one can park cheaply and continue in by public transport. Extension of this system to provide parking room outside—but not too far outside—the central area would ease congestion both going in and out of London at peak hours and inside the central area during the day, if it succeeded in drawing off motorists. But it is not likely to succeed while parking remains free on the kerbs of the City and the West End.

If parking meters are not acceptable without the provision of garages, the garages should be provided—but first, at any rate, outside Central London. And the price to be charged at parking meters should be more than the cost of parking for a day in one of these

peripheral garages plus the fare by public transport into London. It would be wise to ignore the running cost to the motorist of continuing into London, since he probably hardly measures it and is at present content to pay it, plus considerable nervous energy, for the privilege of personal transport. Such a price might roughly correspond to those now charged by the commercial garage operators inside London; for a time, at any rate, the introduction of parking meters would probably liven up their business.

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Such a system would leave the commuter who cared to come and park all day at this price free to do so. But it seems reasonable to suppose that the disincentive to come in and the incentive to park outside might at least thin down the number of long-term parkers for the moment. Car ownership is widening, and London Transport expects a continued shift from public to personal transport. So over the years the congestion inside London and at peak hours on the way in might well begin to seize up again. If it did, the answer would surely be to put the price up steadily—and when parking demand showed itself prepared to stand a price that would offer a reasonable commercial demand on garages in the centre of the city, to provide them there. Some students of London's traffic problem, muttering darkly about "people whose cars are paid for" in a new, nineteen-fiftish version of class prejudice, conclude gloomily that in the present tax situation the price mechanism could never make any impression upon some overriding and insatiable desire of people to have cars and drive them into London every day, like lemmings in reverse. That sounds unrealistic as well as envious: certainly it is no argument for refusing to try prices out.

There are also, to be practical, a few other elements that can be expected to improve in London's traffic straits. Eventually, road improvements even at the rate postwar governments carry them out must improve the capacity of the approach roads for peak-hour traffic. London Transport's projected new "Route C," now christened the Victoria Line, may in the fullness of time make a major if uneconomic contribution to easing traffic on many other routes and roads. But those are a long way off, and the problem is here today. The Road Traffic Bill now on its way through Parliament provides for the introduction of prices for street parking by meter. This sketch of a policy, of necessity over-simplified, suggests one way of using prices if prices are to be used. Some of the other hybrid solutions that have been proposed, such as improving approach roads and linking them to expressways, providing subsidised garages and charging low rates on parking meters in the streets, with the consequent huge possibility of sucking in yet more traffic, might well worsen the problems they have been devised to solve.

Business Notes

Muted Cheer from Markets

A RALLY in the markets in the few days around Christmas is not unusual, and this year the financial institutions had a special reason for welcoming the small rally that did appear. It makes the business of adjusting portfolio values to prices on December 31st just a shade less distasteful. So far as the gilt-edged market is concerned there has been no material change; the *Financial Times* index of government securities has fluctuated narrowly between 90.18 and 90.20. The significance is that the market seemed to encounter persistent—but certainly not official—support at the lower level. So evident has this become that the existence of a big buyer of gilt-edged has been widely rumoured round Throgmorton Street. And there seems to be a little truth in the report. The big buyers of gilt-edged are probably a few big industrial companies re-investing gradually the proceeds of their holdings of Serial Funding stock which was recently repaid. Over the past six weeks they have been imparting a firm undertone to the market, as they picked up various stocks, including substantially longer dates for a small proportion of the money.

In the industrial market the Christmas rally was more pronounced. In the week from December 21st to December 28th the industrial index rose from 196.6 to 199.7 in a narrow market. It was a cheering close to a year of excitement and later disillusionment for investors. But he would be a bold man who would trust it much further while sterling has still to regain confidence and while a new Chancellor, in office for a mere week, has still to make his impact on policy.

Banks and Gilt-Edged

FOR the banks and other financial institutions that make up their balance sheets at the end of the calendar year the normal tasks of end-year accounting are this year overshadowed by the problem of dealing with investment depreciation. At mid-1952, after the gilt-edged slump that followed the first increases in Bank rate, four of the "Big Five" banks abandoned the tradition of valuing investments in their accounts "at or under market value" and showed them instead at "under cost" and "below redemption price," but above the separately disclosed market values. The depreciation thus revealed was made good, however, by the rise in the market during the second half of 1952, so that no clearing bank has yet had to show depreciation in its annual accounts, though several Scottish banks have recently done so. Last June, after a much steeper fall in the gilt-edged market than occurred in the first half of 1952, the same four banks repeated the formula adopted then, but

the other clearing banks all contrived to write down their portfolios from inner reserves sufficiently to enable them to maintain traditional practice. Since then, instead of the hoped-for recovery in the market, there has been a further fall, and some at least of these other clearing banks—the National Provincial, the three northern banks and the smaller institutions—are now expected to show depreciation for the first time.

It will be surprising, indeed, if some banks do not reveal "uncovered" depreciation—in the sense that the disclosed difference between book value and market value is larger than the published reserve fund (that was true of the Midland Bank's statement last June). During the year even so short a stock as the 1957 Serial Funding has fallen by nearly 4 per cent; the 2 per cent Exchequer stock, 1960, placed in November, 1954, has fallen by over 8 per cent, and the 3 per cent Funding stock, 1966-68, placed at the same time, by no less than 15 per cent. The 1962-63 and 1963-64 stocks that were favoured when the market was rising have fallen by about 11½ and 13 per cent respectively (of which about 1½ and 2½ per cent has occurred in the past half-year). The only bank that has given a reasonably precise indication of the life of its portfolio during the year is the Midland, which said at end-June that the maximum life was ten years and the average life five years; the other three banks that work on the new formula have said that the majority mature within ten years—and sales of shorter stocks during the year must have tended to raise the average life. On the Midland's basis of a five-year average, it would seem improbable that the year's depreciation could be less than 7 to 8 per cent, which on the aggregate value of clearing bank portfolios as at mid-November would be equivalent to £140-£160 million.

Even in the absence of any further writing down, not all of any such decline would be shown as depreciation, because book values at end-1954 were certainly appreciably below the then market values. If the margin thus in hand at the outset were equivalent to half the year's actual depreciation, the amount remaining would still be equivalent to a high proportion of published reserves, which for the clearing banks as a whole stand at £87 million—excluding the balances on profit and loss account and also excluding inner reserves. In view of the traditions of bank accounting, it is natural that the City should be focusing upon comparisons such as these. But in fact they are not meaningful comparisons. Neither the book depreciation actually sustained nor any depreciation disclosed is a measure of the risk of loss that the banks may run. The risk depends upon the extent to which they may be obliged to sell securities before the market recovers—and that risk appertains to only a fraction of the portfolio. Even in this past year of abnormally heavy sales, it is doubtful whether total sales (as distinct from redemptions of bonds at maturity) amounted to as much as 10 per cent of the aggregate portfolios.

Cream off the Portfolios

A FEW days of stronger markets at the close of the year cannot alter the fact that 1955 has left the other financial institutions, particularly the insurance companies, with a substantial fall in the market value of their portfolios. They should have retained a modest net gain of about 8 per cent on their holdings of industrial ordinary shares, but they will have suffered a substantial depreciation approaching 14 per cent on their gilt edged portfolios and a smaller fall, possibly about 3 per cent, on the holdings of American government bonds that form an appreciable proportion of non-life funds of offices doing American business.

A rough guess can be made at the impact of falling market prices on the insurance assets of the 44 offices whose accounts are regularly analysed in *The Economist* Insurance Survey. Their total assets at the end of last year were shown at balance sheet values of £3,813 million, of which £2,737 million represented quoted securities. Making allowance for the different average composition of the life and non-life funds, and assuming no depreciation on the unquoted investments (chiefly mortgages, property and cash), the fall in market values of the total funds may have been of the order of 6 per cent (by roughly £225 million), on the basis of the year-end book totals of 1954. The growth of the funds during 1955 will conceivably add £300 million to the insurance offices' portfolios.

The impact of market changes will have differed for each individual office, according to the proportions of gilt-edged, industrials and unquoted investments, and according to the skill and adaptability of different investment management. Some offices for example may have suffered because they were heavily committed for calls on new issues in the autumn while prices were falling. One other generalisation is, however, permissible. It is unlikely that any insurance office has suffered a depreciation in excess of the reserves it had available to meet such a contingency. The offices started 1955 with substantial appreciations on their portfolios, so that the book figure of £3,813 million understated the true value of their holdings. What has happened during the year is that an appreciable part of that hidden reserve has run off.

The Coal Balance Tips

COAL output from the mines this year has probably fallen about five million tons short of what Britain has burned at home. In 1954, for the first time, the country's coal consumption almost exactly equalled production from the mines, about 213½ million tons, and though coal consumption is not likely to have risen by more than about 1½ million tons this year, mining output has fallen by about 3½ million tons. Statistics for the last fortnight of the year have still to come, but broad estimates for the rest of the coal balance can roughly be filled out. On the supply side deep-mined production of about 210 million tons has been supplemented by about 11½ million tons of opencast coal (output of which is well up on 1954) and something over 11 million tons has been imported at great expense from abroad. If inland con-

sumption has reached 215 million tons of coal, exports cannot have much exceeded 12 million tons or bunker supplies 2½ million tons. So the country's stocks of coal will have risen by about 3 million tons—last year they were reduced by nearly as much.

This has been a warmer year than 1954, but on the average not much warmer: in the first 49 weeks of the year, this year's average temperature was 49.4 degrees Fahrenheit, against 49.1 degrees for 1954 (both years were colder than the average of the 30 years 1921-1950). Industrial output has continued to rise, though not quite as fast as in 1954. Does this indicate that Britain has been using its coal more efficiently? It might: one of the things that it clearly does indicate is that British industry is now taking a growing proportion of the extra fuel it needs in the form of oil. That switch is certain to continue, and should take a little more of the pressure off coal during 1956. Coal exports next year, moreover, are to be cut in half. Imports of coal at roughly the current rate, therefore, would offer the British economy next year about five million tons more than it has burned in 1955—providing that output can at worst be maintained at this year's depressing level. Even that proviso, unfortunately, may be quite a large one.

Currency Expansion Slackening

TO judge from the Christmas increase in the note circulation, seasonal spending this year has been about the same as in 1954. The seasonal peak in the active note circulation is this time shown in the Bank return on the Wednesday following the holiday at £1,889.6 million. In the preceding six weeks the outflow of notes totalled £111.9 million, compared with £110.5 million in the five weeks before the peak was touched in 1954. The latest expansion, though the largest ever recorded, represents a smaller proportion of the total active circulation; it was equivalent to 6.3 per cent, compared with 6.7 per cent last year. The expansion in the note circulation from the low point last February to the Christmas peak amounts to £233.2 million, some £10 million more than in 1954; but proportionately the increase has been smaller, at 14.1 per cent against 14.5 per cent.

It should be noted, moreover, that part of this year's expansion has been attributable to an increase in the money carried by the commercial banks in their tills. In the first half of the year, it was evident that the exceptionally large outflow of notes from the Bank of England was in part attributable to the banks' fears of transport strikes; but right through the year the banks have been holding a larger proportion of their cash in their tills and a smaller proportion in balances with the Bank of England.

Exeter Benefit Building Society

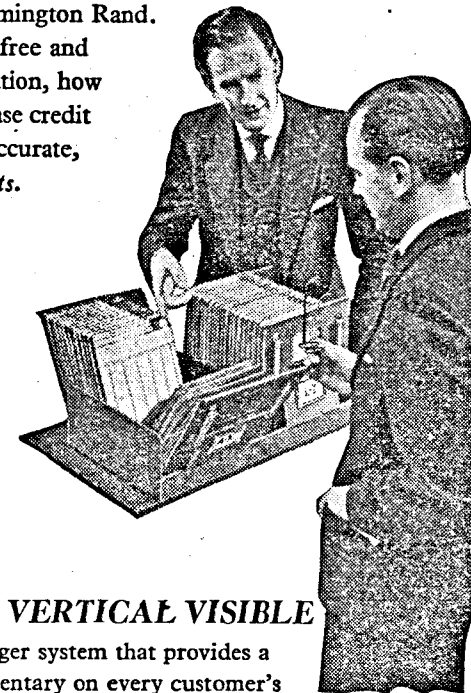
THE Registrar of Friendly Societies has made an order under Section 11 of the Prevention of Frauds (Investment) Act of 1939 prohibiting the Exeter Benefit Building Society from inviting the public to subscribe for its

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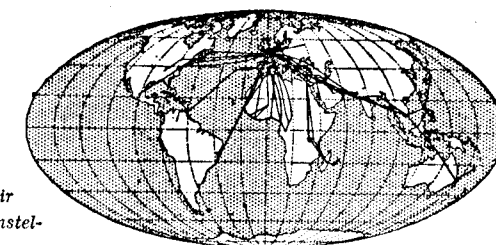
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securities, or inviting loans or deposits. The event has caused considerable unhappiness through the building society movement. Exeter Benefit had assets at the end of 1954 of £3.6 million; it is the first member of the Building Societies' Association to incur the Registrar's ban. The effect of the prohibition is that the society may not ask for money even to the extent of exposing its rates of interest on a wall in its office, but it may accept an investment unsolicited and freely offered. It may also continue to do its normal mortgage lending and repayment business to the extent that it has funds.

There are three grounds on which the Registrar usually bases his decision to issue such an order: unsatisfactory financial position; lending of the funds on doubtful security; and use of the society's funds for financing companies with which the directors are connected. He does not state on which of these grounds he now acts, but the impression is widespread that it is the second. Exeter Benefit has a fairly high proportion of its mortgage loans on business premises. But as the directors' statement points out there is no question of fraud. The order confirms an undertaking that the directors had already given not to seek business until the society has "consolidated its position."

The irony is that the registrar has felt reluctantly obliged to take this action and to risk shaking confidence among building society investors in consequence not of the present credit squeeze, but of a lending policy pursued some years ago. It happens at a moment when the newly appointed general manager and secretary, Mr S. Seddon Walker, has begun to tackle the society's problems. It is also to be regretted that the powerful members of the Association have not so far felt able to provide a solution for their fellow member that would induce the Registrar to revoke his order.

Ford's Margins Squeezed

ONE of the consequences of the forthcoming offer of some of the common stock of Ford Motor of the United States to the public is the publication in this country of the nine months' sales and earnings figures of the British company, Ford Motor. This company has already published six-monthly figures, and at that time the directors noted that profit margins were being affected by increases in the costs of materials and labour. A comparison of the six-monthly and the nine-monthly figures shows that the squeeze on margins tightened in the quarter to September 30th last:

FORD MOTOR SALES AND PROFITS
(£'000s)

	Three Months to Sept. 30th		Nine Months to Sept. 30th	
	1954	1955	1954	1955
Sales	29,337	36,135	91,916	114,115
Profit before tax	4,285	3,357	14,156	14,739
Provision against fall in value of Govt. securities	...	187	...	1,308
Taxation	2,270	1,594	7,062	5,831
Net profit	2,017	1,576	7,095	7,600

Sales were still rising but the climb in earnings was slowing down. In the first six months of this year the ratio of profits before tax to sales was 14½ per cent, compared with 15½ per cent in the first six months of 1954. In the September quarter this ratio had fallen to 9½ per cent, against 14½ per cent in the third quarter of 1954. One result was that Ford's net profits in the third quarter actually declined. The inference for the motor industry as a whole is plain: despite economies of large-scale production the rise in the price of bought-out materials and components and in wages (which is one of the biggest elements in the motor industry's total bill of costs) is trimming profits. The inference for investors in motor shares is also plain: it would be unwise to count on bigger dividends.

Delaying the Sugar Bill

BY an adroit display of Parliamentary gamesmanship the Opposition has delayed by several months the passage of the Sugar Bill. After six sittings the standing committee was still discussing the third of the bill's 36 clauses when it adjourned. The Opposition's ploy at times won the Government's admiration, as when Mr Harmer Nicholls said of Mr Bottomley's performance: "On an amendment of this limited character, to remain within the rules of order while discussing steel, wheat, rubber and communism calls for our respect. . . ." The committee resumes on January 26th, and the bill is unlikely to be passed before the end of March. This suggests that the appointed day on which the Sugar Board is to be set up and start buying fixed-price Commonwealth sugar on the Ministry's account may not be earlier than July.

Labour spokesmen have declared that they would nationalise the British Sugar Corporation, and they would make the taxpayer, rather than the consumer, bear the cost of supporting Commonwealth production. They have also made much of the uneasiness which they say the bill has created among colonial producers. The Colonial Secretary replied that colonial producers had been consulted, and had said that they were fully satisfied with the bill.

After Seventy-five Months of EPU

THE EPU settlements and the resulting payment or receipt of each member country tend to be regarded month by month with little regard to the cumulative status of the members. It is worth turning to the latest complete statement covering the fifteen member countries as they emerged from the November, 1955, settlement which comprises a cumulative review of operations from July 1, 1950, when the European Payments Union was launched. On November 30th Germany was much the biggest creditor among the 15 member countries. Germany had a credit of \$1,550.5 million, the second largest creditor being the Belgium-Luxembourg union with a cumulative net credit of \$839.6 million. The other creditors in

order are the Netherlands, Switzerland and Sweden. On the debtor side the lead was held by France with a net cumulative deficit of \$834.6 million, with the United Kingdom in second place with a net deficit of \$613.8 million.

A more relevant set of figures from the point of view of gold payments and credit operations within the Union is that showing the cumulative accounting status of each member country. These differ considerably from the cumulative net figures, because accounting has been affected by the initial balances with which each member was saddled or helped and by a number of other transactions, including the bilateral repayment of debts made between members as a result of special funding arrangements. These cumulative accounting positions show far greater contrasts and reveal why it has been necessary for certain quotas, notably that of Germany, to be extended by "rallonges" in order to meet an excessive creditor status. At the end of November Germany was shown to be a creditor for no less than \$2,189.3 million as against a basic quota for that country of \$1,200 million. In order to bridge the gap Germany has extended its facilities beyond its quotas by two "rallonges" amounting altogether to \$1,300 million. At the other end of the scale the United Kingdom is a cumulative debtor for \$1,354.8 million as against its quota of \$2,544 million. It is the changes in these cumulative accounting balances that are now settled as to one quarter in credit and three-quarters in gold.

Fresh Start in Wheat Futures

ALL the futures markets in Britain faced difficulties when they restarted business in conditions vastly different from those before the war, and it was to be expected that some would make quicker progress than others. Among them the wheat futures market in Liverpool has made no progress at all. Business has seldom been active, and in recent months it has come to a dead stop. Critics have argued that some of the difficulties lay in the contract itself, because it did not reflect the changed conditions of trading. Now, after months of discussion, a new contract has been approved and will come into operation on January 3rd; the first delivery month will be March.

The new contract should meet most of the criticisms. The contract unit, formerly 4,800 centals of 100 lb (about 214 tons) has been reduced to 125 tons. This quantity (costing perhaps £3,600 at present prices) should be more attractive to the speculator and the smaller trader, and it will fit in with the trade in wheat shipments which is conducted in units of 250 tons. Prices will be quoted in £s per ton instead of shillings per cental. Wheats tenderable at the contract price are American hard winter and spring wheat, Australian, Plate and Uruguayan. Canadian Manitoba, which formerly carried a premium of only 2d. per cental (3s. 9d. a ton) is given a premium of £2 a ton and red winter wheat a discount of £1 a ton, adjustable according to grading. It is thereby hoped to attract Manitobas, which now form a bigger proportion of Britain's imports, and to discourage red winter wheat, a less popular variety which was the only wheat tendered against the old contract. In one major respect the authorities have not met the critics; delivery will continue to be ex-store Liverpool, not cif.

The trade will wish the new contract well. It is not easy to re-establish a satisfactory futures market when so much of the world's wheat is sold by government agencies but the attempt is worth while. Selling by the Canadian and Australian wheat boards on a price-to-be-fixed basis does not remove the need for a hedging medium, and some smaller millers, at least, would like to use Liverpool futures as a source of wheat as well. It may not be possible for Liverpool again to exercise its prewar influence on world prices but it could still fulfil a useful purpose.

Lancashire Cotton's Year

LANCASHIRE Cotton Corporation is such a big spinning combine that its results must always reflect the fortunes of the industry as a whole. In the year ended October 31st the company's trading profit fell sharply by £1,542,000 to £2,804,000 and Mr R. M. Lee, the new chairman, attributes the fall entirely to conditions in the industry. Buyers held off in anticipation—rightly—that raw cotton prices would fall; imports of cotton textiles increased and exports declined. But for the spinners' minimum price scheme "yarn would have been sold at wholly uneconomic prices, and all hope of continuing re-equipment in the industry would have vanished." In fact the company, which has spent £6.3 million on its mills since the war, was able to put £500,000 to the replacement of fixed assets, bringing this reserve to £3.5 million; the general reserve was increased by £600,000 to £6.1 million and the stock reserve by £250,000 to £1.25 million. Mr Lee confirms that business is now improving and he hopes—perhaps it is not a very confident hope—that the instability of raw cotton prices will soon be resolved. He believes that if imports continue at their present level the cotton industry will have to contract still further, but in his view "these problems cannot be dealt with without some indication as to the extent to which the government will tolerate imports from low-wage countries."

Older Men at Work

THE committee that advises the Minister of Labour on the employment of older men and women has made two specific suggestions in its second report. It wants more firms to examine the "age structure" of their staffs, and it would like to see more industries promoting research into the problems of employing their own older workers. In its first report, issued just over two years ago, the committee eschewed government action—by enacting a special quota for older workers, or by setting up separate registers at employment exchanges—as this would give a special, and undesirable, aura to the employment of these people; the committee therefore felt that the onus should be placed upon industry itself. It now finds some comfort in the response to its views and earlier suggestions, though, as it recognises, the change in employers' attitudes to older workers may be partly explained by the acute labour shortage some of them are facing.

Nevertheless, the committee sees room for further improvement, and lists transfers between pension schemes, training—it suggests, rather surprisingly, less specialised training in youth as well as new courses later in life—and willingness to accept part-time older workers, as specific problems still to be resolved. But the main stumbling block is perhaps the desire of firms to maintain a balanced age structure in their staffs. The committee thinks that this age balance should be reviewed constantly as the proportion of older workers and retired persons in the total working population gradually increases. This need not necessarily block promotion if people nearing retiring age are eased into jobs with lighter responsibilities. But it will call for much more study by industry itself of the changes in intellectual and physical powers that come with old age, and of the tasks that men in their sixties and later can best perform.

Britannia and the Seven Seas

THE first two Britannia airliners out of the 33 ordered by the British Overseas Airways Corporation were due to fly from Bristol's factory at Filton on Friday morning to be handed over to BOAC at London Airport. The last formalities involved in the granting of a Certificate of Airworthiness had been completed; allowing several weeks for route proving trials, regular passenger services to South Africa with the Britannia should start in the early summer. This marks the end of a long and arduous period of development behind the Britannia, an exceptionally large aircraft with powerful and complex engines. How the aircraft develops in its first months of commercial service may well decide its future with other airlines, which remain impressed with the Britannia's technical achievement but reluctant to commit themselves to firm orders.

The Britannia's most serious competitor, the Douglas Seven Seas, made its first flight just before Christmas, eleven days ahead of schedule. The piston-engined Seven Seas is intended to cross the Atlantic non-stop all the year round, and has a projected range of 5,000 miles; 104 have been ordered. The first batch is due for delivery to Pan-American next summer and to BOAC in the autumn.

Industrial Platinum

AN intense industrial demand has recently characterised the platinum market and it has lifted the price quoted by the principal sellers to £32 10s. per ounce or about 2½ times the price of gold. The price quoted to approved regular customers by the Englehard group which handles the Canadian platinum, and by Johnson Mathey handling the South African production, does not measure the true relation of supply to demand. These regular customers include the oil companies whose demand for platinum in connection with certain processes of their refining is one of the main elements in the industrial requirements for this metal. But outside these official prices, there

is a free market in which platinum is now quoted at £42 to £42 10s. per ounce. And it is from the free market that demand for platinum by jewellers and commercial users not on the privileged list has to be satisfied.

The free market is fed by platinum scrap, supplies of which have been attracted by the high price. On balance it is probable that the jewellery trade has during the past year been a net seller of platinum. This free market is also supplied by such independent sources as the Russian government, whose sales were substantial in 1954 but have been small during the past year. The comparatively high price of platinum is stimulating production. As compared with an average of 630,000 ounces a year in 1949-52, the figure for 1953 was 750,000 ounces, for 1954 825,000 ounces and a further increase has probably taken place in 1955. The oil, chemical and electrical industries are much the biggest consumers. Indeed platinum has become much more an industrial metal and much less a jewellers'.

Taxes on Mines

SINCE the war, through a period of great activity in overseas mining of gold, non-ferrous metals, and other minerals, only one new mining company operating overseas has been registered in the United Kingdom. This striking fact was used by the chairman of the British Overseas Mining Association, Mr J. Ivan Spens, in a recent speech, to illustrate how the burden of tax upon the British mining company favours its foreign competitors. Mr Spens did not add, as he might have done, that in the same period big mining ventures have transferred their residence—some of them even their registrations—out of this country.

He was regretting the absence of any provision in the British tax system for a depletion allowance to correspond with the gradual exhaustion of a wasting asset and the absence in the double tax agreements that this country now has with so many other countries of relief in respect of taxes imposed overseas that are in form not taxes on income. For example royalties and export duties attract no double tax relief, and one member of the association has produced figures to show that its income would have been about 80 per cent higher if the main tax levied in the country where it operates had been a tax on income instead of an export duty.

Mr Spens recognises that he plays a difficult hand because the Royal Commission on Taxation has reported against either depletion allowances or broader double tax agreements, but he feels that the proposals to introduce "overseas trade corporations" with a measure of relief from British tax would, if eventually enacted, be a help.

Furs for Too Few

IN a prosperous world it is not surprising that the fur trade is also doing well. Prices of raw furs have been fairly steady this year and the new season has made a promising start. The first sales in London of new season mink were held just before Christmas; prices of standard mink

were firm and mutation mink was up to 15 per cent dearer than a year ago. Persian lamb has sold freely; prices were about 5 per cent higher than in November and over 10 per cent higher than a year ago. Those two furs remain the leaders of the market, but the more common types have not been neglected. The real test will come in February when the offerings in London are the heaviest of the season. Despite more competition from other centres London has retained its lead, and turnover has increased; more Persian lamb is being offered here and the Russians are making less use of direct selling contracts and more use of the London auctions.

The surprising fact is that the market for furs has failed to reflect the rise in living standards in the last fifteen years. Fewer furs are sold now than before the war, and fur prices have not risen commensurately with the general rise in commodity prices. There seem to be three main reasons for this. "Hard" consumer goods have won a larger share of the public's purse; social habits have changed, particularly in the largest market of all, the United States; and the fashion of fur trimmings has only recently revived. Many breeders' associations have realised that if fur is to compete with other goods it must be advertised extensively, and the success of the promotion campaign for mutation mink has proved the point. For some years the fur trade has discussed proposals for an international advertising campaign financed by a levy on auction sales, but agreement has yet to be reached.

SHORTER NOTES

The discount market expecting the year-end credit stringency to be especially severe, lowered its bid at the Treasury bill on offer on Friday of last week. The market's bid for 91 day bills was cut by 4d. per cent, to £98 19s. 4d. per cent. This represents a discount rate of just over 4½ per cent—a new peak for this maturity. No further two months bills are being issued for the present; but last week's tender included some 90 day bills, because of the incidence of Good Friday. For these, the market tendered at £98 19s. 7d. per cent. The average rate of discount on the whole £280 million of bills allotted was £4 2s. 9.13d. per cent, an increase of nearly 1s. 4d. per cent over the previous week.

Godfrey Phillips, the tobacco company, explains that the part of George Dobie and Sons that it proposes to buy if Robert Benson, Lonsdale and Company's offer is accepted, consists of the goodwill and trade marks, the shares held by George Dobie in its subsidiaries, with part of the tobacco stocks and certain other assets. It does not include the factory of George Dobie and Sons. The price to be paid by Godfrey Phillips will thus be substantially less than £1.38 million which is the total price to be paid by Robert Benson, Lonsdale and Company for the George Dobie undertaking.

In the leading article "Price Leadership in Tyres" published in *The Economist* of December 17th, it was incor-

rectly stated that Pirelli Ltd. was Italian-owned. The company is not: it is owned by Societe Internationale Pirelli S.A. of Switzerland, which administers all Pirelli interests outside Italy and is independent of the Italian company Pirelli S.p.a. Pirelli Milan does provide the British company with technical guidance.

When the ordinary shares of Colvilles were sold back to the public in January the directors estimated that the development programme due for completion in mid-1957 would cost about £22½ million. The company's full accounts now reveal that about £3½ million was spent on development in the year to September 30th and that capital commitments on that date came to nearly £14 million.

The World Bank has made its first loan to Honduras. It comprises \$4.2 million for highway maintenance and improvement; the loan is repayable in nine years and bears interest at 4½ per cent. Some \$872,000 of the loan is being provided by three United States banks, the Bank of America, the American Security and Trust Company, and the Whitney National Bank.

Whitbread is to put new money into Tennant Brothers, the Sheffield brewery with which it has already established "friendly co-operation and a close business relationship." Whitbread will take up to £50,000 worth of Tennant ordinary shares at a price based on market quotations over the last six months. A similar operation is contemplated in the next succeeding year and the two companies hope the operation will be repeated in subsequent years to cover a further sum of up to £150,000.

The final estimate of the main cocoa crop in the Gold Coast is 220,000 tons, the same as the preliminary estimate and the same as the final estimate of the 1954 crop. The trade generally had expected a lower figure.

The *Spyros Niarchos*, which was launched a few weeks ago at Barrow, has a rival for the distinction of the largest tanker now afloat. This is the *Sinclair Petrolore* which recently began its maiden voyage from the Persian Gulf to Santos in Brazil with a cargo of 51,330 tons of oil. The *Spyros Niarchos*, however, which has a deadweight capacity of 47,750 tons, has been built to carry oil alone whereas the *Sinclair Petrolore*, with a deadweight capacity of 55,000 tons, will carry either oil or ore, so the choice must rest on what is meant by an oil tanker. This other vessel was built at Kure, Japan, and left the yard three months after it was launched and only eight months after its keel was laid; it has a draught of 40½ ft. at full load, more than any other merchant ship including the "Queens." As it is to operate round the Cape of Good Hope this draught will only cause difficulty at discharging ports; but the *Spyros Niarchos* will go on the Suez Canal route. Here vessels up to 35 ft. in draught can be taken, with precautions, and it will be at least three years before dredging to 36 ft. has been completed.

Company Notes

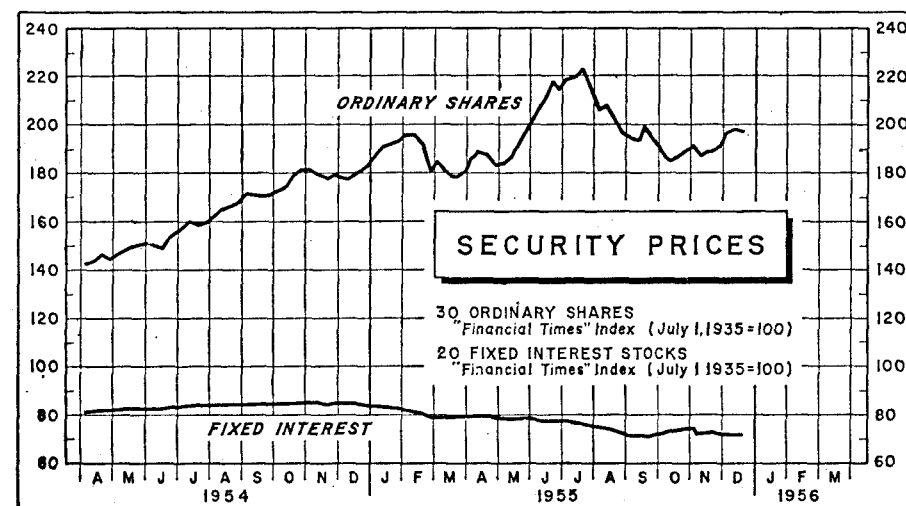
RALEIGH INDUSTRIES. This company tried to hold its selling prices down in the face of rising costs. For a time it succeeded. With two minor exceptions prices were not altered between October, 1953, and July this year. But as a direct result trading profits in the year to July 31st declined by about 3 per cent (from £2,816,912 to £2,718,869) in spite of a rise in gross sales by about £2,500,000 to a new record figure. The improvement in sales, by pushing up stocks from £3,363,364 to £4,135,901 and debtors from £3,382,752 to £4,375,537 (including an increase from £806,652 to £1,611,669 in "gradual payments"), left the company short of liquid resources. Its bank overdraft of £524,842 on July 31st was much larger than its cash balance of £140,182.

The chairman, Mr G. H. B. Wilson, believes that the policy of holding prices down has enhanced goodwill. But with another wage claim on the way the policy has had to be abandoned and since the end of the financial year the prices of all the company's products have been raised. Is there now likely to be a recovery in profits? Further increases in costs are possible but the demand for the company's bicycles and cycling equipment is still strong—so strong that the company was unable to satisfy the home market and some of its principal export markets in full. Indeed the company is so busy supplying the market for pedal cycles that it has turned its back on the new market for motor assisted bicycles. It has also taken the view that the demand will persist and is actively engaged on a capital development programme (likely to cost about £4 million). It was the claims of this programme, rather than the decline in profits and in cash balances, that determined the directors to leave the dividend unchanged at 12½ per cent. The dividend yield of £5 3s. per cent on the £1 stock units at the current price of 48s. 6d. is unexciting but it seems to reflect staid prospects.

MUREX. Any prophecy based on the interim report of Murex, the metallurgists, is really an exercise in financial semantics. For the year to April 30th last, the directors paid an interim ordinary dividend of 6 per cent, a final dividend of 9 per cent and a cash bonus of 5 per cent, "making a total distribution of 20 per cent." They have now decided to raise the interim dividend from 6 to 7½ per cent. This decision is designed "primarily" to equalise the interim and final payments and does not, the directors are careful to add, necessarily imply any increase in the total distribution. To drive their point home they say that as earnings are likely to fluctuate considerably from year to year the "total distribution will tend to fluctuate accordingly."

The use of the word "primarily" and the distinction the directors make between "dividends" and "distributions" will not escape investors. They can hardly fail not to read into the statement the implication that this year's distribution will at least be maintained at 20 per cent. It is not simply the wording of the dividend announcement which encourages this guess. The directors state explicitly that the trading results for the six months to October 31st last have "shown a marked increase over the corresponding period of 1954 and so maintain the improvement achieved in the latter half of the last financial year." They add that:

1. Price fluctuations in the wolfram market, though frequent, have been smaller than in the previous year.
2. Sales of fire-refined copper have continued to be unremunerative and the copper refinery will be closed early in the new year.
3. Selling prices of low carbon ferro chrome have improved and immediate prospects are encouraging.
4. Supplies of rolled rod from the British steel producers have continued to be inadequate to meet the current demand for welding electrodes and the company has again had to import further quantities from abroad.



LONDON STOCK EXCHANGE

Next Account begins: January 4th
Next Contango Day: January 4th
Next Settlement Day: January 10th

BRITISH Funds remained firm around the holiday period and at the close on Wednesday the *Financial Times* index of Government securities was scarcely changed at 90.18—a striking fall from 103.33 at the close of last year but somewhat higher than the "low" of 87.05 reached during September. Trading in industrial stocks on Wednesday brought a gain of 0.9 to 199.7 in the index of industrial ordinary shares although dealing was again small. The index compares with 184.0 at the start of the year and the high point of 223.9 in July.

Bank shares improved a little on Wednesday, but remained generally close to their lowest points for the year. Discount shares remained at their exceptionally low levels, Alexanders Discount at 45s. being 18s. 6d. below their best for the year and Union Discount at 47s. 6d. being 12s. 9d. lower than their best. The hire-purchase finance houses were above their worst towards the close of the year. United Dominion Trust at 77s. compared with a lowest price of 67s. and best of 98s. Hire-purchase retailers were mostly at low levels. The warning accompanying the maintained interim of Canadian and English Stores caused a loss of 1s. to 14s. 10½d. on Wednesday—the year's lowest.

Electrical stocks improved; General Electric rose to 63s. 6d. and the high turnover of records helped a rise in Decca Record to 43s. 9d. and EMI to 34s. London Brick advanced 1s. 6d. on Wednesday to 60s. 9d. and Tube Investments 2s. 3d. to a peak of 67s. 6d. Motors were a better market, though generally remaining at low levels. Ford declined to 44s. on disappointment with the nine-months figures. Steel shares were active, Colvilles advancing to 38s. 7½d.

Oils were firm on Wednesday but declined slightly on Thursday, and copper producers advanced again. Kaffirs showed a considerable decline, but held steady on Thursday.

FINANCIAL TIMES INDICES

1955	Security Indices		Yields	
	Ord.*	Fixed Int.†	2½% Cons.	Ord.
Dec. 21...	196.6	99.51	4.42	5.21
" 22...	198.6	99.52	4.42	5.16
" 23...	198.8	99.55	4.42	5.15
" 26...		Boxing Day		
" 27...		Bank Holiday		
" 28...	199.7	99.30	4.42	5.13
1955, High.	223.9	115.97	Total bargains	
(July 21)	(Jan. 7)	1955	Dec. 21	7,084
" Low.,	175.7	98.23	" 22	6,990
(Mar. 15)	(Sept. 2)	" 23	4,990	
1954, High.	184.0	118.10	" 26	(a)
(Dec. 31)	(Nov. 18)	" 27	(b)	
" Low.,	131.1	111.78	" 28	6,261
(Jan. 1)	(Jan. 5)			

* July 1, 1935=100. † 1928=100.
(a) Boxing Day. (b) Bank Holiday.

LONDON ACTIVE SECURITIES

Prices, 1955 Jan. 1 to Dec. 28		BRITISH FUNDS AND GUARANTEED STOCKS		Price, Dec. 20, 1955	Price, Dec. 28, 1955	Net Yield, Dec. 28, 1955	Gross Yield, Dec. 28, 1955	Prices, 1955 Jan. 1 to Dec. 28		Last Two Dividends (a) (b) (c)	ORDINARY STOCKS		Price, Dec. 20, 1955	Price, Dec. 28, 1955	Yield, Dec. 28, 1955
High	Low							High	Low						
100 1/2	96 1/2	Funding 2 1/2% '52-57	97 1/2	97 1/2	3 6 8	4 11 2 1/2	46/6	34 6	9 a	%	STEEL & ENGINEERING		38 1/2	38 7/4	4 s. d.
100 1/2	97 1/2	War Bonds 2 1/2% '54-56	98 1/2	98 1/2	3 4 3	4 18 8 1/2	13/10 1/2	10/-	10 1/2 b	%	6 B.S.A. £1		12/10 1/2	12/10 1/2	5 3 7
100 1/2	98 1/2	War Loan 3% '55-59	99 1/2	99 1/2	3 5 3	4 13 2 1/2	39/3	27/-	3 a	%	3 1/2 Cammell Laird 5/-		37 1/4	38 7/4	5 13 11
99 1/2	98 1/2	Conversion 4% '57-58	99 1/2	99 1/2	2 11 5	4 6 2 1/2	36/7 1/2	23/-	8 c	%	8 Colvilles £1		32 1/4	32 7/4	4 18 1
100 1/2	96 1/2	Serial Funding 2 1/2% 1957	96 1/2	96 1/2	3 7 11	4 8 11 1/2	54/-	31 1/2	20 c	%	3 1/2 Guest Keen N'fold £1		50/6	51/3	3 18 1m
99 1/2	91 1/2	Conv. 2% 1958-59	92 1/2	92 1/2	3 14 7	4 12 1 1/2	79/9	42/-	5 a	%	12 1/2 Stewarts & Lloyds £1		72/6	74/6	4 14 0
97 1/2	89 1/2	Exchequer 2% 1960	90 1/2	90 1/2	3 12 3	4 12 0	47/9	27/6	6 1/2 b	%	4 Summers (John) £1		43/9	44/3	4 10 5m
104 1/2	92 1/2	Exchequer 3% 1960	94 1/2	94 1/2	3 0 7	4 9 2	50/-	28/6	4 a	%	8 1/2 United Steel £1		47/1 1/2	48/6	5 3 1
100 1/2	83 1/2	Savings Bonds 3% '55-65	87 1/2	87 1/2	3 6 0	4 14 11 1/2	47/10 1/2	34/-	6 b	%	2 1/2 Vickers £1		41/10 1/2	41/9	4 1 11
100 1/2	86 1/2	Funding 2 1/2% '56-61	89 1/2	89 1/2	3 12 4	4 16 0 1/2					TEXTILES				
97 1/2	78 1/2	Funding 3% '59-69	82 1/2	82 1/2	3 7 10	4 17 0 1/2	30/4 1/2	19/6	6 b	%	4 Bradford Dycers £1		23/9	23/6	8 10 3
103 1/2	89 1/2	Funding 4% '60-90	91 1/2	91 1/2	4 10 2	6 7 7 1/2	35/-	20/9	7 b	%	3 1/2 Brit. Celanese £1		21/6	21/6	9 6 1
96 1/2	77 1/2	Savings Bonds 3% '60-70	81 1/2	81 1/2	3 7 5	4 17 3 1/2	29/6	22/10 1/2	6 1/2 b	%	2 1/2 Coats (J. & P.) £1		24/-	24/3	7 4 4
102 1/2	87 1/2	Exchequer 3% '62-63	90 1/2	90 1/2	3 2 4	4 9 5 1/2	55/3	35/-	6 b	%	4 Courtaulds £1		42/-	42/9	4 13 7
99 1/2	82 1/2	Exchequer 2% '63-64	85 1/2	85 1/2	3 8 4	4 11 11 1/2	34/1 1/2	24/6	5 a	%	7 1/2 Lanes. Cotton £1		27/9	27/9	9 0 2
95 1/2	77 1/2	Savings Bonds 2 1/2% '64-67	80 1/2	80 1/2	3 11 6	4 16 1 1/2	36/0 1/2	28/-	2 1/2 a	%	10 1/2 Patons & Baldwins £1		30/6	30/6	8 4 0
94 1/2	75 1/2	Savings Bonds 3% '65-75	79 1/2	79 1/2	3 3 8	4 13 11 1/2					MOTOR & AIRCRAFT				
105 1/2	91 1/2	Victory 4% '20-76	95 1/2	95 1/2	2 16 4	4 12 11 1/2	22/11 1/2	17/4 1/2	6 1/2 b	%	3 1/2 Bristol Aeroplane 10/-		20/6	20/7 1/2	9 14 0
98 1/2	78 1/2	Funding 3% '66-68	84 1/2	84 1/2	3 7 10	4 16 0 1/2	15/9 1/2	8 10 1/2	4 a	%	8 1/2 British Motor 5/-		8/10 1/2	9/-	6 18 11
103 1/2	83 1/2	Conv. 3 1/2% 1969	88 1/2	88 1/2	3 2 11	4 16 2	27/10 1/2	21/3	7 1/2 c	%	Nit. c De Havilland £1		26/6	25/9	NIL
98 1/2	80 1/2	Treas. 3 1/2% '77-80	83 1/2	83 1/2	2 19 9	4 13 4 1/2	60/-	37/-	15 c	%	2 1/2 Ford Motor £1		46/4 1/2	43/10 1/2	3 8 4 1/2
99 1/2	80 1/2	Treas. 3 1/2% '79-81	84 1/2	84 1/2	2 19 1	4 13 4 1/2	73/6	43/1 1/2	5 a	%	12 1/2 Hawker Siddeley £1		71/-	73/-	4 15 11
88 1/2	68 1/2	Redemption 3% '86-96	72 1/2	72 1/2	2 17 10	4 10 3 1/2	52/9	33/6	25 c	%	50 Leyland Motors £1		44/3	44/3	4 10 5m
95 1/2	78 1/2	Funding 3 1/2% 1999-2004	81 1/2	81 1/2	2 14 3	4 8 11 1/2	113/1 1/2	71/3	12 1/2 b	%	5 Rolls Royce £1		116/10 1/2	119/4 1/2	2 18 8
97 1/2	82 1/2	Consols 4% alt. Feb. '57	86 1/2	86 1/2	2 14 4	4 14 4 1/2	12/3 1/2	6/10 1/2	12 c	%	12 Standard Motor 5/-		8/-	8/1 1/2	7 7 8
88 1/2	73 1/2	War L'n 3 1/2% alt. Dec. '52	76 1/2	76 1/2	2 12 6	4 11 5 1/2					SHOPS & STORES				
89 1/2	72 1/2	Conv. 3 1/2% alt. April '61	76 1/2	76 1/2	2 12 9	4 12 3 1/2	21/7 1/2	12/6	17 1/2 b	%	3 Boots Pure Drug 5/-		17/6	18/-	3 16 4 1/2
78 1/2	63 1/2	Treas. 3% alt. April '66	66 1/2	66 1/2	2 10 9	4 10 10 1/2	47/6	33/10 1/2	7 1/2 a	%	20 Debenhams 10/-		35/10 1/2	36/-	7 12 9
66 1/2	54 1/2	Consols 2 1/2%	56 1/2	56 1/2	2 10 9	4 8 3 1/2	56/9	35/10 1/2	45 b	%	15 Gt. Universal 5/-		40/1 1/2	40/3	7 8 2
66 1/2	54 1/2	Treas. 2 1/2% alt. April '75	56 1/2	56 1/2	2 11 1	4 9 3 1/2	114/-	92/-	17 1/2 b	%	5 Lyons (J.) 'A' £1		93/9	93/9	4 16 0
99 1/2	75 1/2	Br. Elec. 4 1/2% '67-69	98 1/2	98 1/2	2 15 7	4 15 3 1/2	76/-	58/6	36 b	%	17 1/2 Marks & Spenc. 'A' 5/-		68/-	69/4 1/2	3 8 6
94 1/2	75 1/2	Br. Elec. 3% '68-73	80 1/2	80 1/2	3 5 0	4 14 10 1/2	71/9	55/-	36 1/2 b	%	20 Woolworth 5/-		61/4 1/2	63/4 1/2	3 18 11 1/2
95 1/2	75 1/2	Br. Elec. 3% '74-77	78 1/2	78 1/2	3 2 7	4 12 10 1/2					ON				
109 1/2	90 1/2	Br. Elec. 4 1/2% '74-79	94 1/2	94 1/2	2 15 10	4 14 1 1/2	139/-	68/6	14 b	%	5 1/2 British Petroleum £1		105/-	110/7 1/2	2 14 3 1/2
98 1/2	80 1/2	Br. Elec. 3 1/2% '76-79	83 1/2	83 1/2	2 19 7	4 13 3 1/2	95/5 1/2	50/-	7 1/2 a	%	13 1/2 Burmah £1		68/10 1/2	74/4 1/2	2 16 6 1/2
105 1/2	88 1/2	Br. Gas 4% '69-72	92 1/2	92 1/2	2 19 3	4 16 5 1/2	164	150/-	10 b	%	6 Royal Dutch 100 d.		162	162 1/2	2 8 0
102 1/2	82 1/2	Br. Gas 3 1/2% '69-71	87 1/2	87 1/2	3 1 10	4 15 2 1/2	158/9	109/9	10 1/2 b	%	5 1/2 Shell Reg. £1		142/6	145/-	3 12 0
88 1/2	71 1/2	Br. Gas 3% '90-95	73 1/2	73 1/2	2 17 5	4 9 5 1/2	44/6	26/9	5 1/2 a	%	16 1/2 Trinidad & Tobago 5/-		40/-	42/4 1/2	4 8 11
94 1/2	76 1/2	Br. Trans. 3% '68-73	80 1/2	80 1/2	3 5 0	4 14 10 1/2					SHIPPING				
105 1/2	87 1/2	Br. Trans. 4% '72-77	90 1/2	90 1/2	2 17 10	4 14 1 1/2	37/3	25 1/2	7 b	%	2 1/2 Cunard £1		26/-	26/-	7 10 0
88 1/2	70 1/2	Br. Trans. 3% '78-88	73 1/2	73 1/2	2 19 10	4 11 1 1/2	61/-	27/6	12 c	%	14 Furness Withy £1		48/-	48/-	5 16 8
							38/6		13 b	%	3 P. & O. Def. £1		32/3	33/6	4 15 6 1/2

(e) To earliest date. (f) Flat yield. (d) To latest date. * Ex dividend.
† Assumed average life approx. 11 years. ‡ Less tax at 8s. 6d. in £.

Prices, 1954		Prices, 1955 Jan. 1 to Dec. 28		TRUSTEE STOCKS AND FOREIGN BONDS	Price, Dec. 20, 1955	Price, Dec. 28, 1955	Yield, Dec. 28, 1955
High	Low	High	Low				
97 1/2	90 1/2	94 1/2	79	Aust. 3 1/2% '65-69 . . .	82 1/2	82 1/2	f s. d. 5 0 6
101 1/2	97 1/2	101 1/2	87	Ceylon 4% '73-75 . . .	88 1/2	88 1/2	4 18 7
106 1/2	98 1/2	103 1/2	87 1/2	N. Zealand 4% '76-78 .	87 1/2	87 1/2	4 18 7
79 1/2	71 1/2	75 1/2	61	L.C.C. 3% aft. 1920 . .	63 1/2	63 1/2	4 14 6
99 1/2	95 1/2	99 1/2	83	Liverpool 3% '54-64 .	85 1/2	85 1/2	5 1 0
87 1/2	80 1/2	84 1/2	65	M. Wtr. 'B' 3% '34-2003	69 1/2	69 1/2	4 11 6
104 1/2	100 1/2	102 1/2	94 1/2	Agric. Mort. 5% '59-89	97 1/2	97 1/2	5 3 8
109 1/2	71 1/2	122 1/2	91	German 7%	107 1/2	108 1/2	...
168 1/2	102 1/2	213 1/2	149	German 5 1/2%	186 1/2	191 1/2	...
171 1/2	132 1/2	211 1/2	160	Japan 5% 1907	208 1/2	208 1/2	...
198 1/2	167 1/2	254 1/2	190	Japan 5 1/2% Conv. 1930	249 1/2	247 1/2	...

Prices, 1955 Jan. 1 to Dec. 28		Last Two Dividends (a) (b) (c)		ORDINARY STOCKS		Price, Dec. 20, 1955	Price, Dec. 28, 1955	Yield, Dec. 28, 1955
High	Low							
58 7/8	45/9	7 b	5 a	BANKS & DISCOUNT				
76 7/8	55 1/4	15 c	6 a	Barclays £1	48/9	49/-	4 18 0	
89/3	70/9	18 c	9 a	Lloyds 'A' £5 £1 pd.	56/-	56/-	5 7 2 1/2	
87/-	66/3	18 c	9 a	Midland £1 fully pd.	71/9	71/9	5 0 4	
96/10 1/2	74/-	8 b	9 a	N. Prov. 'B' £5 £1 pd.	68/9	69/3	5 4 0	
69/-	43/9	8 1/2 b	8 a	Westminster 'B' £4 £1 pd.	75/-	76/6	5 4 7	
53/6	45/-	7 b	5 a	Nat. Disc. 'B' £1	47/-	46/-	5 4 4	
60/-	46/-	12 1/2 c	6 1/2 a	Union Disc. £1	47/6	47/6	5 3 9	
40/1 1/2	31/3	4 a	4 a	Barc. (D.C.O.) £1	33/6	33/6	3 19 7 1/2	
51/9	40/6	7 1/2 b	7 1/2 a	Chart. Bk. of India £1	42/-	41/-	7 6 4	
				INSURANCE				
21 1/2	14 1/2	40 c	12 1/2 a	Leg. & Gen. £1	19 1/2	19 1/2	3 11 4	
28 1/2	20 1/2	45 1/2 b	20 1/2 a	Pearl £1 fully pd.	23 1/2	23 1/2	4 17 4	
55 1/2	41 1/2	112 1/2 c	117 1/2 a	Prudential 'A' £1	47 1/2	47 1/2	4 6 0	
				BREWERS, ETC.				
141/-	116/3	10 a	33 b	Bass £1	119/8	119/-	7 4 7	
34/9	22/-	10 1/2 b	6 a	Distillers 6/8	23/6	24/-	4 11 8	
49/6	39/-	8 a	17 b	Guinness 10/-	44/9	45/-	5 11 0	
53/9	68/-	14 b	7 a	Whitbread 'A' Ord. £1	68/6	68/6	6 2 7	

* 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 16 1/2%. (h) Assumed maintenance of final dividend on increased capital. (i) On 10 1/2%. (j) On 15%. (k) On 12%. (l) To latest date. (m) On 10%. (n) On 8%. (o) On 22 1/2%. (p) On 37 1/2%. (q) On 6 1/2%. (r) On 13 1/2%. (s) On 9 1/2%. (t) On 14%. (u) On 12 1/2%.

New York Closing Prices

	Dec. 20	Dec. 28		Dec. 20	Dec. 28		Dec. 20	Dec. 28
Balt. & Ohio	46 1/2	46 1/2	Am. Smelting	49	49 1/2	Inter. Paper	111	112 1/2
Can. Pac.	33 1/2	33 1/2	Am. Viscose	46 1/2	47 1/2	Nat. Distill.	20 1/2	21 1/2
N.Y. Cent.	43 1/2	43 1/2	Cel. of Am.	20 1/2	21	Sears Roebuck	35 1/2	35 1/2
Pennsylv.	25 1/2	25 1/2	Chrysler	87 1/2	87 1/2	Shell	62 1/2	64 1/2
Amer. Tel.	178 1/2	180 1/2	Gen. Elec.	55 1/2	55 1/2	Std. Oil of N.J.	151 1/2	152 1/2
Stand. Gas	9 1/2	9 1/2	Gen. Motors	45 1/2	45 1/2	U.S. Steel	57 1/2	57 1/2
United Corp.	6 1/2	6 1/2	Goodyear	63	64	Westinghouse	60	58 1/2
W. Union Tel.	21 1/2	21 1/2	Inter. Nickel	81 1/2	81 1/2	Woolworth	47 1/2	47 1/2

Statistics

BRITISH		OVERSEAS	
Prices and Wages.....	This week	Western Europe	
Production and Consumption	Dec. 10th	Production and Trade.....	This week
Manpower.....	Dec. 17th	British Commonwealth	Dec. 10th
External Trade.....	Dec. 24th	Western Europe	
Financial Statistics	This week	Prices and Money Supply	Dec. 17th
Industrial Profits	Oct. 15th	United States	Dec. 24th
	World Trade.....	Oct. 15th	

Production and Trade in Western Europe

	Austria	Belgium	Denmark	France	Germany, F.R.	Greece	Ireland	Italy	Nether- lands	Norway	Sweden	Turkey
INDUSTRIAL PRODUCTION⁽¹⁾ (1948 = 100)												
1938	108 ^a	82	78	90	159 ^a	132	76	101	89	81	67	62
1953	184	114	121	127	251	193	142	162	144	142	111	144
1954	210	124	132	139	282	236	145	176	159	151	115	157
1955, May	232	134	134	157	332	255	152 ^b	199	165	151	128	...
June	251	136	132	158	333	255	...	190	182	165	128	...
July	230	120	88	145	317	255	...	200	167	110	67	...
August	233	132	133	120	316	250	...	166	168	150	116	...
September	...	...	139	151	341	250	...	...	176	170	127	...

	mn. schillings	mn. francs	mn. - kroner	'000 mn. francs	mn. D. marks	mn. drachmas ^a	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
VALUE OF EXTERNAL TRADE⁽²⁾												
IMPORTS (c.i.f.)												
1938	121 ^a	1,922	135	3.84	505	1.2 ^a	3.45	0.94	118	99	174	12.5
1953	1,106	10,094	573	121.52	1,334	592.6 ^a	15.28	124.75	738	543	680	124.3
1954	1,416	10,624	669	126.84	1,611	823.1 ^a	14.99	125.05	891	606	766	111.6
1955, May	1,760	11,732	623	139.81	1,914	1,119.2 ^a	17.00	146.67	921	655	835	117.3
June	1,841	11,074	653	146.94	1,947	1,189.5 ^a	15.19	146.26	1,029	683	810	142.4
July	1,829	11,533	674	123.92	2,125	896.3 ^a	16.50	141.65	1,065	568	727	100.5
August	1,827	11,252	615	133.68	2,033	913.4 ^a	14.22	134.28	936	581	808	100.4
September	1,934	...	666	125.17	2,134	...	16.19	...	1,058	663	874	100.9

	mn. schillings	mn. francs	mn. - kroner	'000 mn. francs	mn. D. marks	mn. drachmas ^a	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
EXPORTS (f.o.b.)												
1938	102 ^a	1,806	128	2.55	468	0.9 ^a	2.02	0.88	87	65	154	12.1
1953	1,099	9,414	508	117.24	1,542	282.1 ^a	9.50	77.50	672	303	638	92.4
1954	1,321	9,597	546	126.03	1,837	376.0 ^a	9.59	85.24	755	347	685	78.2
1955, May	1,473	10,175	585	137.30	2,165	246.7 ^a	8.10	94.42	751	334	744	58.9
June	1,519	11,977	632	139.96	2,013	206.5 ^a	7.51	95.17	865	368	774	64.5
July	1,575	9,454	578	133.61	2,159	163.2 ^a	8.79	104.02	763	362	750	50.5
August	1,453	10,319	557	127.41	2,003	179.0 ^a	7.91	98.76	810	370	776	55.5
September	1,585	...	575	115.34	2,121	...	9.84	...	990	405	776	62.9

	mn. schillings	mn. francs	mn. - kroner	'000 mn. francs	mn. D. marks	mn. drachmas ^a	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
BALANCE												
1938	19 ^a	116	7	1.29	37	0.3 ^a	1.43	0.06	31	34	20	0.4
1953	7	680	65	4.28	208	310.5 ^a	5.78	47.25	66	240	42	31.9
1954	95	1,027	123	0.81	226	447.1 ^a	5.40	39.81	135	259	81	33.4
1955, May	287	1,557	38	2.51	251	872.5 ^a	8.90	52.25	170	321	91	58.4
June	322	1,903	21	6.98	66	983.0 ^a	7.68	51.09	164	315	36	77.9
July	254	2,079	96	9.69	34	733.1 ^a	7.71	37.63	302	216	23	50.0
August	374	933	58	6.27	30	734.4 ^a	6.31	35.52	47	211	32	44.9
September	349	...	91	9.83	13	...	6.35	...	68	258	98	38.0

	mn. schillings	mn. francs	mn. - kroner	'000 mn. francs	mn. D. marks	mn. drachmas ^a	mn. £	'000 mn. lire	mn. guilders	mn. kroner	mn. kroner	mn. £T.
VOLUME OF EXTERNAL TRADE⁽²⁾ (1948 = 100)												
IMPORTS												
1938	244 ^a	93	118	...	180 ^a	...	79	88	118	100	94	91
1953	207	116	169	119	271	...	111	175	156	141	118	217
1954	288	128	205	129	341	...	108	180	196	161	136	215
1955, May	373	133	199 ^b	149	392	...	117	210	196	175	149	211
June	395	126	...	151	390	...	104	207	220	172	149	264
July	395	134	...	129	426	...	113	204	230	144	...	190
August	402	129	...	142	402	...	97	...	201	159	141	...
September	422	...	...	129	426	...	...	...	...	172	...	...
EXPORTS												
1938	185 ^a	110	139	...	505 ^a	...	136	100	156	123	111	107
1953	270	145	208	209	783	...	183	150	292	144	145	182
1954	330	158	224	243	970	...	196	163	344	166	159	172
1955, May	354	149	242 ^b	269	1,131	...	154	174	349	150	165	107
June	365	174	...	266	1,048	...	143	185	402	169	165	115
July	383	136	...	260	1,118	...	171	197	366	151	...	89
August	350	154	...	251	1,044	...	153	...	...	165	...	...
September	400	...	...	225	1,109	...	...	...	...	179	...	...

(1) This covers mining, manufacturing, electricity and manufactured gas with the following exceptions: Denmark and Greece exclude mining; Ireland and Sweden, electricity and manufactured gas; and Austria, manufactured gas. Germany excludes West Berlin. (2) Special trade (excluding re-exports) with the exception of Ireland which covers general trade with exports seasonally adjusted. Belgium includes Luxembourg. Italy includes Trieste. (3) New drachmas introduced May 1, 1954 (1 new drachma = 1,000 old drachmas). (4) Thousand million drachmas. (5) 1937. (6) 1936: estimated for territory corresponding to Western Germany. (7) Average for second quarter.

EXCHEQUER RETURNS

For the week ended December 17th there was an "above-line" deficit (after allowing for Sinking Funds) of £17,943,000 compared with a deficit of £33,538,000 in the previous week and a deficit of £21,696,000 in the corresponding period of last year. Net expenditure "below-line" last week reached £26,903,000, bringing the total cumulative deficit to £742,885,000 (£571,303,000 in 1954-55).

£'000	Estimate, 1955-56	April 1, 1954 to Dec. 18, 1954	April 1, 1955 to Dec. 17, 1955	Week ended Dec. 18, 1954	Week ended Dec. 17, 1955
Ord. Revenue					
Income Tax	1877,400	627,864	668,642	17,808	18,590
Sur-tax	136,000	45,400	42,900	1,800	1,900
Death Duties	185,000	130,900	126,900	4,000	3,300
Stamps	74,000	52,570	51,700	1,600	1,400
Profits Tax E.P.T.	180,000	128,100	146,300	2,700	2,400
Excess Profits Levy	25,000	60,650	15,500	1,050	200
Special Contribution and other Inland Revenue	1,000	830	350	...	...
Total Inland Rev.	2478,400	1046,314	1052,292	28,958	27,790
Customs	1131,700	811,312	841,048	20,521	21,763
Excise	811,050	550,488	606,700	5,070	5,760
Total Customs and Excise	1942,750	1361,800	1447,748	25,591	27,523
Motor Duties	80,000	20,040	23,514	...	122
PO (Net Receipts)	...	8,450	9,250	2,850	250
Broadcast Licences	25,000	12,500	14,800	...	...
Sundry Loans	24,000	20,761	26,402	...	145
Miscellaneous	175,000	114,193	113,160	6	631
Total	4725,150	2584,158	2687,166	51,705	56,461
Ord. Expenditure					
Debt Interest	600,000	405,733	457,375	...	386
Payments to N. Ireland Exchequer	53,000	31,957	37,148	...	...
Other Cons. Fund	10,000	5,346	6,489	...	198
Savings Services	3898,850	2420,722	2482,575	73,400	73,100
Total	4561,850	2883,758	2983,587	73,401	73,684
Sinking Funds	36,000	24,910	24,730	...	720
"Above-line" Surplus or Deficit		304,510	321,151	21,696	17,943
"Below-line" Net Expenditure		266,793	421,734	24,435	26,903
Total Surplus or Deficit		571,303	742,885	46,131	44,846
Net Receipts from:					
Tax Reserve Certificates	246,725	138,990	197	1,458	...
Savings Certificates	25,000	11,500	1,700	...	...
Defence Bonds	8,600	19,537	1,673	1,005	...

FLOATING DEBT

	Treasury Bill	Ways and Means Advances	Total Floating Debt
Date	Tender	Public Dept.	Bank of England
1954			
Dec. 18	3,440-0	1,727-1	262-2
1955			
Sept. 17	3,450-0	2,036-2	251-0
24	3,480-0	2,000-0	263-4
30	5,498-3	258-4	...
Oct. 8	3,480-0	2,025-9	260-1
15	3,470-0	1,810-2	272-3
22	3,440-0	1,858-5	272-3
29	3,440-0	1,871-4	258-2
Nov. 5	3,450-0	1,834-1	253-8
12	3,470-0	1,806-2	249-9
19	3,500-0	1,856-5	284-2
26	3,520-0	1,854-7	271-4
Dec. 3	3,530-0	1,891-2	248-1
10	3,530-0	1,936-1	251-0
17	3,530-0	1,992-4	237-7

Financial Statistics

THE MONEY MARKET

THE money market has been dominated in the past week by preparation for the year-end stringency this weekend, which is expected to be particularly acute. On Friday last the market raised the Treasury bill rate to over 4½ per cent; and through the week discount houses have had considerable recourse to loans from the Bank at the penal rate. The offer at the tender comprised exclusively three months' bills, though those dated Friday of this week were at 90 days, owing to the incidence of Good Friday.

Credit supplies were very short immediately before the holiday (except at the brief Saturday session); the Bank gave a moderate amount of special aid on the Thursday, and on the Friday one or two houses took a very small amount of money at Bank rate. On both Wednesday and Thursday of this week a number of houses took loans from the Bank, for the customary seven days. The amounts involved were described as moderate; the Bank return shows an increase in discounts and advances in the week to Wednesday last of £26.6 million, to £37.7 million. This week's borrowing has been in part precautionary; overnight balances were available on Wednesday at down to 2 per cent, and by Thursday's close at 3½ per cent. But 4½ per cent has been paid for loans extending into January.

The Treasury bill rate in New York this week rose further above the official rediscount rate of 2½ per cent, from 2.618 per cent to 2.688 per cent.

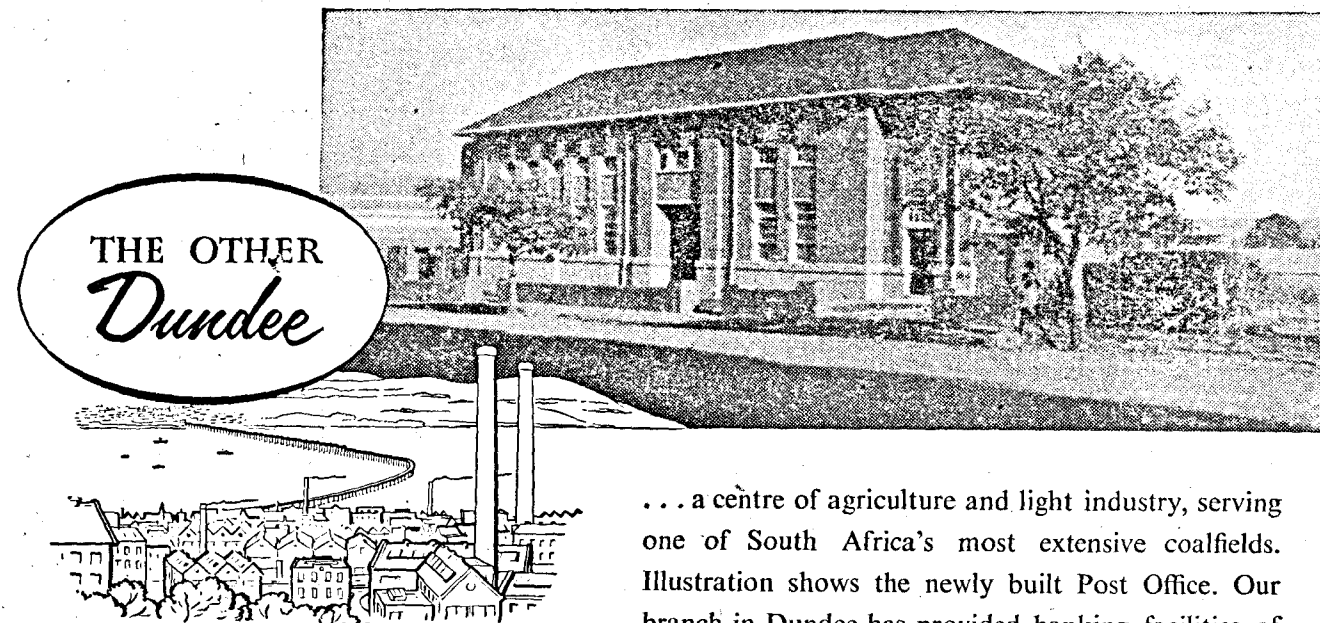
LONDON MONEY RATES

Bank rate (from 31%, 24/2/55)	%	Discount rates	%
Bank bills: 30 days	4½	Bank bills: 3 months	4½
Deposits (max)	4½	" " 6 months	4½
Banks	2½	" " 9 months	4½
Discount houses	2½	" " 12 months	4½
Money Day-to-day	2½	Fine trade bills:	
Short periods	2½	3 months	5-5½
Treas. bills 2 months	4½	4 months	5-5½
3 months	4½	6 months	5½-6

* Call money.

LONDON CLOSING EXCHANGE RATES AND GOLD PRICE

	Official Rates	December 28	December 20
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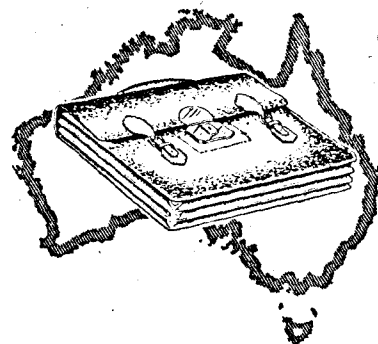


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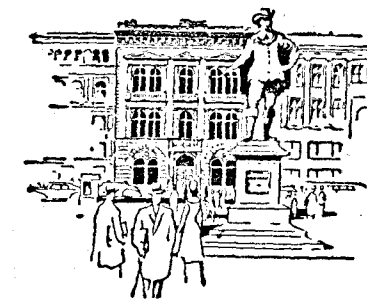
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Authorised Capital ...	Pak Rs. 30,000,000
Issued & Subscribed Capital	Pak Rs. 15,000,000
Paid-up Capital ...	Pak Rs. 15,000,000
Reserve Funds ...	Pak Rs. 10,000,000
Deposits as on Dec. 31 1954	Pak Rs. 431,800,000

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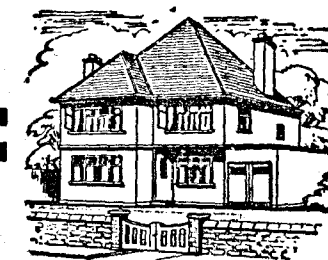
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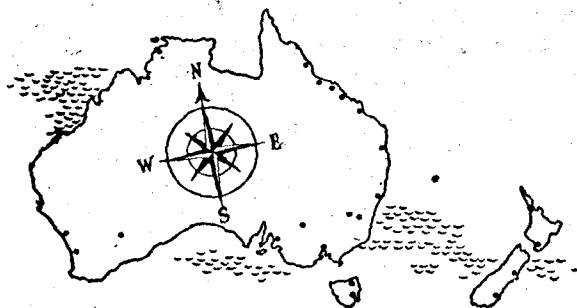
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COMPANY MEETINGS

THE NATIONAL BANK OF SCOTLAND LIMITED

FACTORS AFFECTING PROFITS—SCOTTISH INDUSTRY'S GOOD YEAR

EFFECTS OF CREDIT RESTRICTION

LORD ROWALLAN'S SURVEY OF NATION'S PROBLEMS

The One Hundred and Thirtieth Annual General Meeting of the Proprietors of The National Bank of Scotland Limited was held in the Bank's Head Office on December 22nd, the Right Honourable Lord Rowallan, KBE, MC, TD, DL, the Governor of the Bank, presiding.

The Governor said: I have to report with great regret the recent death of the Right Honourable Lord Inverforth, PC, who had been an Extraordinary Director since 1949. His Lordship, whose career was one of the romances of Scottish industry, was a good friend of the Bank and we shall miss him much. I am, however, happy to say that his son, the present Lord Inverforth, has accepted an invitation to join the Extraordinary Board, and later in the Meeting you will be asked to confirm this appointment, as well as that of Mr L. Harper Gow, who has also agreed to become an Extraordinary Director following his resignation on grounds of health from the Ordinary Board, of which he had been an esteemed Member since 1941. We all hope that he will derive benefit from the wider leisure he now enjoys. Last year I referred to the impending retirement from the position of General Manager of Mr J. Allan Brown, who had served in that capacity with marked distinction during the previous eight years. In accordance with their then expressed intention, the Directors have since appointed him to the Ordinary Board, where his wise counsels have been much appreciated.

SIR ANDREW McCANCE'S APPOINTMENT

To fill the vacancy caused by Mr Gow's resignation, the Directors were fortunate in securing the services of Sir Andrew McCance, DL, DSC, LLD, FRSE, Glasgow. Apart from his expert knowledge of the steel industry, Sir Andrew brings to the deliberations of the Ordinary Board a wide experience of men and affairs, and I have much pleasure in introducing him to you. In due course you will be invited to confirm the appointments of Mr Brown and Sir Andrew McCance. I must also refer to another loss which the Bank has sustained through the death of Mr William Carnegie which occurred on November 27th last, just after the Report and Accounts had gone to Press. Mr Carnegie joined the Bank at its Forfar Office in 1880 and rose to be General Manager, a post which he filled with distinction and from which he retired in 1930, since when he has continuously occupied a seat on the Extraordinary Board. While to many in the Bank's service today he is merely a name, he will be remembered with respect and affection by all who knew him.

THE BANK'S ACCOUNTS

At first glance, the Balance Sheet now presented might suggest a recession of business, for the totals are £7 million less than they were a year ago. You will, however, recall that in dealing with the 1954 figures I remarked that the Deposits, then £112,500,000, included certain moneys of a temporary character, and it is not in any

way surprising that for 1955 these Deposits should have fallen to £105 million odd: even so they are still £9 million above the 1953 figures. Notes in Circulation have again risen, this time by £400,000 to £11,900,000. On the other side of the picture, Advances and Bills Discounted, together £24,800,000, show a reduction of £5 million. Although some part of this reflects an initial response to the Chancellor's policy of Credit Restriction, in which connection I shall have more to say later on, the major proportion was effected through the repayment of borrowings by certain of the Nationalised Industries and through fluctuations in the normal course of business, and here I should tell you that in the light of future lending commitments, all fully justifiable in the national interest, it is doubtful whether the whole of the reduction now seen can be held during the coming year.

INVESTMENTS

Investments in British Government Securities stand at £51,300,000, which is only £2 million less than in 1954, but on this occasion you will observe we have adopted a new valuation formula which, having regard to the very heavy depreciation current on gilt-edged stocks, need not occasion any surprise. Neither need it cause anxiety, because all these investments have fixed maturity dates, and with more than half falling due within the next ten years it is a reasonable assumption that the deficiency of £1,900,000 or so will all be recovered in due time and in the ordinary course of business. You will, I am sure, agree that the risk of incurring substantial losses through forced sales is remote, and in this connection I would direct special attention to the fact that our cash resources, amounting to over £45 million, are more than 38 per cent of our liabilities to the public in the form of Deposits and Note Circulation. In the past, reference has been made to the part played by the Bank in the finance of international trade, and I would point out that Acceptances, Endorsements, Guarantees and other obligations undertaken on behalf of our customers still stand at the substantial total of £6 million.

It will not have escaped your notice that despite a welcome reduction in Income Tax the Profits at £336,000 are £6,000 down. This drop in earnings reflects first, the smaller funds available to the Bank during the year, the second, the increase in overheads, particularly in salaries, which following negotiations with the Staff Representatives were up-graded substantially with effect from April 1st.

THE DIVIDEND

Last year you were informed of plans to discharge the balance of the Uncalled Liability on the Consolidated Capital Stock, and the 10 per cent Dividend now proposed on that Stock is equivalent in amount to the distribution for 1954, in respect of which 8 per cent (actual) was paid on January 15, 1955, on the amount then paid up, namely

£1,250,000, and 5 per cent (actual) on July 15, 1955, on the paid-up amount as increased to £2 million by transfer from the Reserve Fund. Because of the lower rate of tax, the provision for Dividends requires £5,500 more than in 1954. The other allocations from Profits are: £130,000 to Contingent Fund and £75,000 to the Trustees for the Officers' Pension Fund, leaving the carry forward increased from £129,000 to £134,000.

TRADE CONDITIONS

Despite interruptions arising from disputes of one kind and another, Scottish industry as a whole has had a good year. With improved steel deliveries, which will be substantially augmented when new plant now under construction comes into production, shipbuilding and engineering concerns have been busy, and it is particularly encouraging that in face of the continued threat of foreign competition, which arises mainly from fixed prices and early delivery dates, there has been a revival of new orders for ships. A notable exception is, however, the Clyde, where shipping under construction is said to be at its lowest level for nine years, apparently because of the long series of local strikes. With regard to the textile trade, woollen manufacturers have no lack of orders, and despite labour shortages in some centres they are well on their way to establishing a new record for exports, while the Hawick knitwear industry continues to make a most important contribution to the nation's supply of foreign exchange. Jute production has also been high, although there have been uncertainties arising from questions of supply and price of the raw material. In flax, profit margins remained low owing to severe foreign competition.

As regards farming, the contrast between the 1954 harvest and the one just ended needs no elaboration. Suffice it to say that although root crops suffered from the drought in some areas, grains generally were ingathered in excellent condition, while the quick and early harvest ensured a minimum expenditure on labour and gave our farming friends a flying start with their necessary preparations for 1956. The fishing industry has not been so fortunate. The East Anglian herring fishing was a complete failure and most of our Scottish boats were unable even to cover expenses, while the curers, who come last in the queue for supplies, found it possible to complete only a negligible proportion of their substantial export orders. It is devoutly to be hoped that the West Coast fishings will make up some of the leeway, but the experiences of this year and of last demonstrate clearly that despite modern methods and up-to-date research, agriculture and fishing, which for long formed the backbone of Scotland's economy, are still very much at the mercy of natural forces.

FINANCIAL SITUATION

From this Chair, attention has in the past been directed to the dangers inherent in

national over-spending, but in boom conditions it is not always easy to recognise warning signals, particularly when recurrent crises are referred to merely as periods of embarrassment, and early in 1955 it became clear that a jolt to our complacency was overdue. The "amber light" of the increase of ½ per cent in the Bank of England Discount Rate announced on January 27th having failed to subdue optimism and arrest continuing inflation, the Government unmasked the red signal four weeks later through a further rise in the Bank Rate, this time by 1 per cent to 4½ per cent, a rate which had not been seen in this country since the dark days of 1931-2, although it is true that even higher rates were then temporarily in operation. There is no doubt that this second and larger increase, coupled with the imposition of restrictions on the hire purchase of a wide range of goods, served as a sharp reminder that despite apparent prosperity the country's economy was still suffering from a basic weakness stemming from excessive internal demands, which on the one hand tended to increase imports and on the other to reduce the volume of goods available for export. The second Bank Rate increase, with its immediate effect on an already depressed gilt-edged market, was a bitter pill for bankers to swallow, but taking the long-term view, it was accepted, if not gladly, at least with resignation, as the tried and tested specific for economic ills.

CREDIT RESTRICTION "MOST TRYING"

Not so did we regard the further measure which the Chancellor of the Exchequer found it necessary to take in July when he called for "a positive and significant reduction in the total of bank advances outstanding." It was with no little misgiving that we set ourselves to the unenviable task of translating this new policy into effect, and it will not surprise you to hear that of all the tribulations we have had to face during the past year, Credit Restriction has been by far the most trying. Great as was the amount of detailed preparation work involved, that paled into insignificance compared with the problem of actually imposing the proposed borrowing cuts on individual customers. You will, however, be glad to know that our customers, almost without exception, accepted the reduced limits that had to be enforced in a spirit which provided striking evidence of their goodwill to the Bank, and I should like to say how much we appreciate their co-operation. I should also like publicly to repeat what many of them have already been told privately, namely, that it has gone very much against the grain to interfere with old-established arrangements and to apply pressure that, at the very least, may well result in interruption of normal progress for many businesses which, though not perhaps directly connected with, for example, the country's defence needs or export trade, are nevertheless important to the economy of Scotland.

UNPLEASANT EFFECTS

It must, of course, be freely admitted that in face of the phenomenal expansion in bank loans, which continued and indeed increased even after the orthodox correctives of higher Bank Rate and contraction of what is commonly known as the "credit base" had been applied, Mr Butler had little option but to take the line he did. By the same token, it would have been quite wrong, even if it had been feasible, to propound one Directive for the Medes and another for the Persians by differentiating in favour of certain banks whose advances had climbed neither so fast nor so steeply as others. Similarly, it has been impossible for the banks themselves—except in certain well-defined and permissible cases—to exercise any option in favour of

particular customers. The effects have been unpleasant; they may be more unpleasant yet, but this Bank has played, and will continue to play, its part towards implementation of the Chancellor's policy of restricted lending. That policy is not, in our opinion, a panacea for all the country's ills, especially when advances which the banks feel obliged in the national interest to decline can apparently on occasion be obtained elsewhere. It is, however, an integral part of the various measures designed to place the nation fairly and squarely on its financial feet, and this prompts me to refer to two further points, interconnected and having an important bearing on the problems that face us.

GOVERNMENT SPENDING

The first is the nature and extent of Government spending, direct and indirect. For many years now a large and increasing slice of the national income has been diverted to schemes, some of which, no matter how desirable, are difficult to justify in present circumstances, and furthermore there is a suspicion that the enormous sums involved may not always be administered with what we would be wont to regard as normal business caution. The intimation of the Government's intention to curtail expenditure in various directions is therefore very welcome. Provided this is translated into action, it may yet prove to be a most potent factor in our struggle back to a position of economic stability. The second point relates to the notoriously slow settlement by Government and quasi-Government Departments, not to mention Local Authorities, of their liabilities under contract. All of these bodies expect, indeed they demand under the full majesty of the law, immediate payment of moneys due to them, but when it comes to loosening their own purse strings, generally speaking they move like the Mills of God. The "credit squeeze" would be much more easily applied and much more effective if bank customers could obtain timeous settlement of their just dues from these sources.

ENCOURAGING SIGNS

I should have liked to close this somewhat gloomy review of the financial situation on a note of cautious optimism, but although, following the measures referred to above and the latest Budget proposals, there are encouraging signs—as for example the reduced drain on the country's gold and dollar reserves and the relative firmness of sterling—we have yet a long way to go. In times past, there has been a tendency to plug with soap—and soft-soap at that—leaks in the economic vessel and it is high time we faced up to the true implications of the situation. The fact of the matter is that we have all got into the habit of expecting a standard of living that may not always be justified by national production, and we have got to change our way of thinking. I would not presume to discuss the rights and wrongs of the recent dock and rail strikes, but however impossible it may be to assess the ultimate repercussions, there is no shadow of doubt that they had an immediate and serious effect on trade and in particular on our export trade, which is the breath of our national life. In present circumstances, we just cannot afford the luxury of strikes. The financial abyss into which we have looked more than once in recent times still yawns threateningly before us, and I make no apology for appealing to everyone, employer and employee alike, to put his shoulder solidly behind the wheel that may ultimately carry us away from the verge.

STAFF

In conclusion, I desire once again to pay the tribute which we all owe to the officials

and staff at Head Office, London and Glasgow and throughout the branches for the continued loyalty and efficiency of their service to the Bank. This is all the more deserved on this occasion in view of the additional work involved throughout the whole organisation as a result of the Chancellor's Directive already referred to. In particular, I should like to take this opportunity of cordially acknowledging the marked ability with which Mr Alexander has guided the affairs of the Bank and upheld its prestige during his first and very difficult year of office as General Manager.

The Report and Accounts were adopted.

VOKES LIMITED

(Filtration and Silencing Engineers and Manufacturers of Aircraft, Motor and Industrial Accessories)

TRADING SURPLUS AGAIN SATISFACTORY

SIR IAN STEWART-RICHARDSON'S STATEMENT

The eighteenth annual general meeting of Vokes Limited was held on December 21st at the Lion Hotel, Guildford, Sir Ian Stewart-Richardson, Bt, chairman of the company, presiding.

The following is an extract from the chairman's statement circulated with the report and accounts for the year to June 30, 1955:

The Directors' Report and Accounts of the Parent Company and the Group for the twelve months ended June 30, 1955, show that the trading surplus for that year is again satisfactory. Due to the cessation of the Excess Profits Levy the charge for taxation is reduced but inclusive of profits tax still absorbs approximately 50 per cent of the trading surplus. The taxation liability of the Company in respect of its trading up to June, 1953, has now been agreed by the Revenue Authorities, which has resulted in our being able to release part of the taxation provision; and this has been credited to the Profit and Loss Account.

Approval was given by the members at the last annual general meeting for a scrip issue of shares and the nominal amount of this scrip issue has accordingly been deducted from the balance on Profit and Loss Account brought forward from the last account.

ANOTHER SCRIP ISSUE

The recommendations as to how the available surplus should be dealt with are set out in the Directors' report. It is recommended that a further sum be transferred to General Reserve Account but a proportion of this together with part of the balance on Profit and Loss Account will be utilised in a further scrip issue, of 1,500,000 shares, which you will be asked to approve at an extraordinary general meeting to be held immediately following the annual general meeting. This year the company introduced the payment of an interim dividend on its Ordinary share capital and it is the intention of the Directors, circumstances permitting, to continue this practice.

From the Balance Sheet it will be noted that there has been an increase in the fixed assets of the company due to the completion of the first stage of rebuilding and the purchase of new equipment. There has also been a substantial increase in current assets over current liabilities due to the taxation adjustments previously mentioned and to the increased net earnings. On the liabilities side both the loan capital and the Ministry of Supply Accounts have been reduced.

The company is committed to further capital expenditure for rebuilding and this expenditure will have to be made during the current financial year.

SUBSIDIARY AND ASSOCIATED COMPANIES

The reduction in the aggregate surplus earned by the subsidiary companies is due to adverse conditions overseas. However, it has again been possible to reduce the amounts advanced by the parent company and there has been no further investment in the subsidiaries during the year. It is anticipated that further investment for the acquisition of fixed assets will be necessary, possibly during the current year. The manufacture and sale of tobacco-processing machinery commenced last year in conjunction with the associated company has progressed and it is anticipated that the production of this type of equipment will assist the turnover of the Group in future years.

Factory Premises: The first stage of the company's rebuilding programme was then virtually complete last year and during this year the second stage of the rebuilding programme was commenced and is now well in

hand. It should be completed about June, 1956, the cost being met out of current resources.

TRADING RESULTS AND FUTURE OUTLOOK

As will be gathered from the results the trading of the Group has expanded and whilst there have been some fluctuations during the period it remains very satisfactory. The success of the company depends on keeping ahead in developments and technique applicable to its spheres of activity. The Development and Research Departments have been strengthened and in this respect much work has been done in connection with the use of atomic energy. Continuous examination of overseas developments is carried out with a view to applying these to our own products. Whilst the cost of all these activities adds substantially to overhead expenses, they are vitally necessary for continued progress.

Production costs have continued to rise, and have had to a great extent to be absorbed. If this rise continues it is difficult to see how a contraction in profit margins can be avoided, followed by a falling off in turnover affecting both our customers and ourselves.

BANK OF CEYLON

A YEAR OF PROGRESS

NEW BUDGET'S UNDERLYING THEME—"DEVELOPMENT WITH STABILITY"

MR H. V. PERERA ON NEED FOR OVERSEAS CAPITAL

The annual general meeting of the Bank of Ceylon was held on December 10th at Colombo.

The following is an extract from the statement by the Chairman, Mr H. V. Perera, QC, on the report and accounts for the year ended September 30, 1955:

In our own country 1955 proved to be a year of progress though not without occasional reverses in our external trade. The steady rise in tea prices during 1954 reached a peak at the close of that year, but the trend of prices in the first half of 1955 presented a very different and discouraging picture. Many tea producers watched market prices with anxiety as they fell to levels below their costs of production. The nadir of these depressed conditions was reached in May when prices recorded were the worst experienced since 1952. But, as we are now aware, the worst is over, and we look forward with hope to a more stable future for our tea industry and the country as a whole, for in our tea industry lies in large measure the future of our economy. The tea industry is our greatest national asset despite economic development in industrial and other agricultural fields, and still accounts for about one-quarter of the gross national product of this Island. With the removal of control over the import of tea in several consuming countries, strong competition must be expected from other producing countries, and it is vital especially at this time that the reputation which Ceylon has achieved for quality should be maintained and even enhanced.

It was indeed fortunate for Ceylon that just when tea prices began to decline the trend of rubber prices became favourable. The fears expressed last year by natural rubber producers of the growing threat of synthetic production appear to have been replaced this year by a feeling of buoyancy. But doubts are already being expressed whether this buoyant market condition will continue to last, and it is believed to be only a matter of

time before production of synthetic rubber expands and improves sufficiently to offer strong competition to the natural product. There is room for both products to co-exist at reasonable prices in a world that will demand more and more rubber for the expansion of existing industries and the development of new ones.

The declining trend in the market prices of the main coconut products during 1954 continued well into 1955, though some relief was offered by reductions in export duties in March this year.

Fortunately, production has expanded this year, and the total value of coconut products exported has not been adversely affected to any marked degree.

Our higher earnings from exports were more than sufficient to finance imports in 1955, and by the end of September Rs. 21 million more had been spent on imports than in the corresponding period of 1954.

DISTRIBUTION OF TRADE

The United Kingdom has again been the largest market for our exports as well as the chief source of our imports, but, due largely to the temporary diversion during the year of our sheet rubber exports from China to other countries, the United States of America has replaced China as the second largest buyer of Ceylon produce.

Trade with the dollar area has increased this year mainly as a result of sales of rubber to dollar countries. These larger exports have not only been able to finance increased imports, particularly of machinery, from the dollar area but have also contributed towards a larger dollar trade surplus.

Ceylon's trade with China on the other hand has met with practical difficulties in recent months. The diversion of sheet rubber from China to other countries and the supply of rice by Burma resulted in a substantial

Germany still appears to be more competitive in prices and deliveries.

RESULT OF PRUDENT POLICY

From the figures, shareholders will appreciate that the present employed capital of the Group, to which the surplus earned should be related, is greatly in excess of the issued capital; and the capital assets continue to expand. It is, therefore, with both these factors in mind that your directors put forward their recommendations for a substantial increase in the issued Ordinary share capital of the company. This course is only made possible by the prudent and conservative policy adopted over past years.

I will conclude by again expressing sincere thanks to all executives and employees of the Group for their efforts upon which members must largely rely for future results.

The report and accounts were adopted; the proposed dividend was approved and the remuneration of the auditors, Messrs Charles Comins and Co., was fixed.

At a subsequent extraordinary general meeting the proposed scrip issue was approved.

reduction in the volume of trade with China. The recent resumption of rubber and rice shipments in our trade with China will, however, show some improvement in our trade figures for this country by the end of the year.

BALANCE OF TRADE

It is gratifying to observe that for the second year in succession our visible balance of trade has been very favourable and it is our hope that when 1955 closes there will be as large if not a larger surplus than in the previous year. It may well be that if trade continues to be favourable the measure of our financial standing may exceed all records within a short time.

The new Budget, as we are aware, was in the main a very popular one not only because there was no major additional taxation but also because the underlying theme was development with stability. Incentives for the export of copra and cocoa in the form of reduced export duties and measures designed to encourage investment and savings in the private sector were other features appreciated by businessmen. The double-tax agreements now being negotiated with foreign countries will, when concluded, be an added incentive for the investment of foreign capital in local enterprise and it is our hope that every advantage will be taken by the overseas investor and every encouragement given by the Government to attract foreign capital into Ceylon.

A country desirous of encouraging economic development through private enterprise may well consider the feasibility of taxing expenditure rather than income and the Government may consider it worth while to examine this new development of economic thought which appears to be gaining increasing support.

I am sure we shall all welcome the extension of the Colombo Plan for a further period. The assistance afforded under the Scheme has proved invaluable to all under-developed countries in the past and this extension will enable their resources to be more fully developed and raise the standard of living of their peoples. The Ceylon Government has recently made a declaration of its policy with regard to foreign investment in Ceylon and every possible encouragement has been held out to overseas capital. Foreign capital would be welcome in many fields of investment and investors will be assured of fair treatment at all times.

I need hardly say that participation of local wealth with foreign capital is desirable in the establishment of business enterprises and though there are no rigid laws governing the entry of foreign capital into Ceylon, the Government expects that the objects of any enterprise should not be in conflict with national interests. The Bank of Ceylon will always support such regulated flow of foreign capital into this country. In an economy such as ours too great a bias towards industrial expansion at the expense of agriculture should be avoided, and trade and agriculture should develop along with industry. Much of our export trade has still to be Ceylonised and this Bank which was established with the primary object of helping Ceylonese is ever ready to assist financially any credit-worthy concern in the pursuit of that objective.

BANK OF CEYLON

The total deposits of all commercial banks rose in the course of the year under review from Rs. 741 million to Rs. 891 million; the total deposits of your bank rose from Rs. 271 million to Rs. 367 million. Your bank continues to control well over one-third of the total commercial bank deposits and its progress in this field is indeed gratifying.

Cash on hand and Balances with banks rose from Rs. 66 million to Rs. 92½ million; the ratio of Cash to Total Deposits is no less than 25 per cent. The ratio of Cash, Treasury Bills, and Loans receivable at Call to Total Deposits is 39.2 per cent and if Trade Bills and Investments maturing within one year are included the ratio is 48.6 per cent.

NETHERLANDS BANK OF SOUTH AFRICA LIMITED

EXPANSION TREND FULLY MAINTAINED

The Fifth Ordinary General Meeting of Shareholders of Netherlands Bank of South Africa Limited was held on December 20, 1955, in Pretoria, Mr J. P. Kakebeke (The Chairman) presiding.

The following is an extract from his circulated statement:

I should like to mention that the results for the financial year 1954/55 are entirely satisfactory. From the figures submitted in this year's report it is clear that the trend of a gradual development and expansion which was apparent in the past has been fully maintained.

POSITION OF THE BANK

The continual growth of the Bank during the last five years is clearly indicated by the gradual increase of the total assets from £17,700,000 when the Bank was established in January, 1951, to nearly £34 million at the end of September, 1955.

The expansion of the Bank necessitated the improvement of existing buildings and the erection of certain new premises. I am glad to mention that our main branch in Cape Town could occupy its new office in St. George's Street during September last, which provided a long-felt need and which will enable this branch to give improved services to its customers. Further progress was made in Southern Rhodesia, while our Office in London again showed a favourable development.

Our business with the Continent benefited by the expansion of our affiliation in Amsterdam, which amalgamated with the Amsterdamsche Goederen Bank NV and which now

As a result of the buoyancy of Government finances during the year the Government's need of short term finance was on a reduced scale and this is reflected in the reduction in the bank's holdings of Treasury Bills from Rs. 25 million to Rs. 14 million. This reduction is almost exactly offset by a switch to Government Securities, the holding of which has increased from Rs. 87 million to Rs. 98 million.

Credit extended to customers in the form of Loans, Overdrafts, Bills Purchased and Discounted rose from Rs. 93 million to Rs. 120 million.

There has been an appreciable increase in Balance Sheet total from Rs. 428½ million to Rs. 594 million. Deposits account for Rs. 96 million of this increase and credits and other accounts for Rs. 70 million.

Gross profit has increased by Rs. 1.2 million to reach the record figure of Rs. 9.6 million, but expenditure and transfers to Reserves have also arisen by approximately the same proportion. An interim dividend of 7½ per cent was paid on June 1, 1955, and your Directors have pleasure in recommending payment of a final dividend of 7½ per cent, making 15 per cent in all for the year.

On August 1, 1955, your Directors authorised the transfer of a sum of Rs. 3 million from Inner Reserves to a new reserve account styled "Other Free General Reserves." With the allocation of a further Rs. 350,000 which is recommended from this year's profits, this account will stand at Rs. 3,350,000.

The report and accounts were adopted.

operates under the style of "Nederlandse Overzee Bank NV."

The net profit figure was again higher than last year. Income from commission and exchange showed an appreciable increase, but on the other hand expenditure was also higher. During the year the salary scales of the staff in Southern Africa as well as in London were improved.

As customary, all additions to furniture, office equipment and stationery were written off.

Adequate provision was made for taxation, possible bad and doubtful debts, depreciation of bank buildings and for the usual strengthening of the Staff Pension Fund.

I am pleased to state that during November of this year our Bank established a branch in Windhoek (SWA) which will enable us to provide services also in that territory. A fourth office in Southern Rhodesia will be opened at Gwelo shortly.

Next year it is intended to establish branches in Pietermaritzburg (Natal) and at Klerksdorp (Transvaal).

With reference to your Directors' report, I wish to point out that in connection with the increasing business of the bank your Directors deem it advisable to recommend a strengthening of the Reserve by £100,000 which will then stand at £700,000.

In view of the improved profits your Directors consider it justified to recommend an increase of the dividend to shareholders from 7½ per cent (1s. 6d. in the £) to 8½ per cent (1s. 9d. in the £).

It is recommended that a special depreciation of £25,000 (last year £50,000) be made on bank buildings.

Although during the last few years trade conditions in the Union were favourable, a word of caution is not out of place and attention is drawn to certain restrictive measures which were taken by the authorities to maintain the stability of the Union's economy.

The Report and Accounts were adopted.

MOUNT ISA MINES

The Annual General Meeting of Mount Isa Mines, Limited, was held on December 6th at Brisbane, Mr G. R. Fisher (Chairman of the Company) presiding.

The Chairman, in the course of his speech, said: The net profit for the year ended June 30, 1955, was £3,307,250 compared with £2,096,204 for the previous year, and was struck after providing £800,000 for depreciation of buildings, plant and machinery and £941,250 for Income Tax.

DIVIDENDS

The Directors recommend a final dividend of 15 per cent. This is in addition to the interim dividend of 10 per cent paid on June 29th. The total dividend disbursement for the year amounted to £1,439,328.

The dividend policy has been dictated by the increasing need for substantial capital development both for existing operations and for the very substantial mine development which is being planned. The present policy is to finance these expenditures from profits and reserves.

Stockholders have been advised previously that the possibility of erecting a Zinc Smelter in Australia to handle production from Mount Isa Mines is being examined.

An examination is also being made of the possibility of constructing a copper refinery to treat blister copper from Mount Isa Mines.

ORE RESERVES

Estimated reserves of silver-lead-zinc ore as at June 30th last were 12,200,000 tons, of which 1,900,000 tons were classified as developed ore and 10,300,000 tons as prospective ore. This is an increase of more than 2 million tons over the reserve shown a year ago.

Exploration and development during the year also increased copper ore reserves by approximately 1,500,000 tons, bringing the total to 5,100,000 tons of 4 per cent ore.

URANIUM PROSPECTING

The Company has continued an active ground prospecting programme for uranium in the Mount Isa/Cloncurry area with the assistance of an airborne scintillometer. So far, no deposits of economic importance have been discovered by the Company and, consequently, no further action has been taken regarding the construction of a uranium treatment plant at Mount Isa.

THE OUTLOOK

At the present time world metal prices are extraordinarily high, but it is not anticipated that these prices, particularly that of copper, will continue at this level. Due to lack of refining capacity in Australia, it has been necessary for this company to export blister copper to the United States for refining and for us to bring the copper back to Australia to meet local requirements.

There has been a shortage of copper in Australia during the last year or so, and it has been necessary to import substantial quantities from overseas. In recent weeks there has been a marked decline in the consumption of copper in Australia, but it is anticipated that local consumption will increase in the near future and that all Mount Isa's copper will be marketed in Australia.

I would say finally that provided no unforeseen interruptions occur in our mining and smelting operations, shareholders can look forward to their Company having another successful year.

The Report and Accounts were adopted.

COMBINED ENGLISH MILLS (SPINNERS) LIMITED

DISRUPTIVE COMPETITION FROM FOREIGN IMPORTS

TRADE'S SALVATION LIES IN EVER-INCREASING EFFICIENCY

The twenty-sixth ordinary annual general meeting of Combined English Mills (Spinners) Limited was held on December 21st in Manchester.

Lieutenant Colonel Sir John Reynolds, Bart, MBE, JP (the chairman) presided. The following is an extract from his circulated speech:

The decline in Trading Profit to £532,004 as against £1,255,672 last year, and £875,310 the year before, will be commented on by me later in my speech. The net profit at £119,203 compares with £386,000 in 1954 and £286,000 in 1953.

BOARD'S DIVIDEND POLICY

The dividend policy of your Board has been guided by the primary importance of conserving funds if modernisation is to progress without endangering proper liquidity. Hitherto it has been possible to finance Capital Expenditure largely out of profits, but this year this is not the case. For this reason and because of the uncertainty overhanging the cotton market because of the enormous stocks of raw cotton built up in the United States, the Board have decided that they must reduce this year's Ordinary Dividend to 6 per cent with a corresponding reduction in the Preference Dividend from 7½ per cent to 6 per cent.

COMPETITORS' FAVOURED POSITION

A grave problem, but in my opinion only one of many, has been the extensive importations into the home market of yarns and cloth manufactured under wage conditions with which our own quite properly have no comparisons. Although our range of counts is seldom in direct competition with these imports, we are bound to feel the repercussions as other sections try to escape from the intense competition of their particular section—thus, all sections are interdependent. Direct but mainly indirect export subsidies in certain countries have aggravated an already difficult position, placing countries with whom we can normally compete on level terms in a favoured position in our home market and in our traditional export markets.

Disruptive though this competition would always have been it might have been of less consequence if world trading had not contracted sharply under the demoralising effect of a virtual breakdown in the price structure of our raw material. The American Government under various schemes of price maintenance has accumulated an unsold stock of American cotton equivalent to an entire year's crop, and has also encouraged the excessive production of cotton over a wide area of the world under the umbrella of its own price structure as a result of which world production of cotton has reached a higher figure than ever before. On the Liverpool Cotton Market which opened so hopefully in May of 1954, the fear of export subsidies has forced such discounts into forward positions as to make it impossible and impracticable to contemplate carrying spot cotton so essential to the full re-establishment of the market. The disentangling of the position is proving increasingly difficult, and the resultant confusion in prices has produced a market which is gravely discouraging to all traders.

This is the background to the year that we

have entered and until, and unless, some order is re-established in raw cotton values we are bound to proceed with caution and some anxiety no matter what action our own Government may decide to take on Lancashire's behalf. The measure of your Board's own confidence in the future is their steady expenditure of funds on reconstruction and modernisation. During the last eight years since the war we have spent on re-equipment an amount in excess of our issued Ordinary share capital. The day will come when the price of raw cotton is once again on a stable basis, and when that day does come we are confident that Lancashire will hold a reasonable share of world trade, particularly in speciality and high quality fabrics for which your Company caters.

On the all-important question of labour deployment a very real approach is now being made in negotiations with the Trade Unions on a change to shift working. However, shift working, necessary though it be, is no final solution unless the hours worked bear proper relation to the economical use of expensive new machinery. Double shifts on the basis of 3½ hours worked for 45 hours' pay as at present sanctioned by the Trade Unions are not economic, and whilst a 40 hours' basis would produce some advantage, even this would not be sufficient to place us on a full competitive basis. Three-shift working presents considerable problems to these sections of the trade which depend largely upon female labour.

The Yarn Spinners' Association has again prevented disorderly marketing of cotton yarn due to the very strict preservation of the scheme which provides a co-operative method of operational cost. There is little doubt that but for this substantial actual losses would have faced the spinning section to the detriment of all, including the labour force, which in the end depends on a trade that is solvent and with sufficient funds to keep its machinery up to date. The salvation of our trade lies in ever-increasing efficiency both as regards machinery and labour redeployment, but even greater strides in both these at considerable capital cost can be completely vitiated if markets are not available due to circumstances political and nationalistic beyond the scope of fair industrial competition.

It will be noted that our stocks have declined from £4,359,000 to £2,516,000, a reduction largely attributable to raw cotton. This reduction is partly due to the decline in values, but largely to the improvement in marketing facilities that have enabled us to operate on much reduced stocks, a position we have been anxious to achieve. I stated last year that no perfect hedge was available, and that a sharply declining market was bound to cause stock losses unless a long yarn order book could produce the best of all covers. Long staple hedge contracts have now been opened in Liverpool and Alexandria, but it is as yet too early to predict whether they will prove a satisfactory hedge. They have opened at a time of such difficulty that they have so far been unable to attract sufficient volume of business to make effective trading possible.

HIGH LEVEL OF RETAIL SALES

There is, however, another side to this somewhat gloomy picture which can be lost sight of under the stress of immediate

problems. First, retail sales of textiles continue high and full employment seems to preclude any serious setback in such sales. Secondly, the pipeline of goods behind the counter has been allowed to run down and few stocks are available to meet the demand which must inevitably come when confidence in prices becomes re-established. Thirdly, the sweeping away of the "D" Scheme will remove a great disadvantage to the Fine Trade (although the *ad valorem* tax replacing it favours cheap imported cloth in some measure).

THE FUTURE

It is undoubtedly true that the position could change very rapidly and a return of confidence could produce real shortage of yarn in a very short space of time as production cannot be increased overnight. It would, however, be pure speculation to anticipate such a change in the immediate future. The recuperative power of our industry is enormous, as our records show, and it is pleasing that we have been able to maintain our world-wide links throughout this trying period of re-adjustment of values. If these conditions can be expected to continue—and at the moment sales exceed production and stock losses are unlikely to be repeated due to stocks being lower both in value and quantity—then the coming year may well show some improvement, but the horizon is insufficiently clear for any confident prediction to be made.

Another uncertain year is anticipated with sales prospects still obscure, but we believe that we are approaching a more satisfactory price-base and hope that when that level has been reached and confidence restored our ever-increasing efficiency will allow us to earn a reasonable return on the capital employed, and also to provide cash resources for machine development.

The report and accounts were adopted.

CENTRAL AND DISTRICT PROPERTIES LIMITED

The twenty-first annual general meeting of Central and District Properties Limited was held on December 29th in London, Mr Russell L. Tillett, FCA (the chairman), presiding.

The following is an extract from his circulated statement:

The total of the book values of the Fixed Assets of the Group again shows an increase. This increase is, in the main, attributable to the reduction in the Mortgages.

During the year, a property was de-requisitioned and active steps are being taken to obtain satisfactory rentals. As a result of the Housing Repairs and Rents Act, 1954, your Company and its Subsidiaries are receiving increases in their rentals, amounting to approximately £10,000 per annum, which is some assistance in alleviating the burden of increased expenditure.

Further progress has been made in the rebuilding of the war-damaged property at Angel Hill Parade, Sutton, and it is expected that the shops will be ready for occupation this month.

During the year a property was sold which realised a substantial excess over its book value, and your Directors are aware of the desirability of increasing the revenue of the Group by the acquisition of further suitable investments.

Our carry forward is rather less than the amount brought in, indicating that the dividends paid during the year have somewhat exceeded the net revenue accruing to the Company. Having regard to the known improvements in our income, the Directors foresee no difficulty in maintaining distributions at the present level.

The report and accounts were adopted.

RALEIGH INDUSTRIES LIMITED

PRODUCTION AND SALES RECORDS BROKEN

MR GEORGE WILSON'S STATEMENT

In his statement to the shareholders, reporting the Company's record production and sales, the Chairman, Mr George Wilson, says:

The past year has been particularly notable for the continued expansion of our business at home and overseas, and sales of cycles and gears have increased by almost £2,500,000 reaching, for the ninth year in succession, a new record figure. In spite of this, however, we have been unable to meet the demands of some of our principal export markets or to satisfy the full requirements of the home trade.

Work on the new factories which we decided last year to build in order to meet these continually increasing demands is progressing well and we expect that they will be ready to begin production by the middle of 1957. We are still hopeful that we shall be able to finance these extensions out of our own resources although the position has not been made any easier for us by the Chancellor's policy of credit restriction.

PRICE POLICY

Our policy on prices over the past two years has been one of stabilisation. With two minor exceptions our prices have been held at October 1953 levels not only in export markets, where prices generally have been fairly stable, but also in the home market which has seen a considerable rise in

prices during this period. This, of course, has meant that we have had to absorb almost the whole of the very considerable increases in the costs of labour and materials which have occurred, with the result that our profit before tax is down by £131,483 at £2,192,593 compared with £2,324,076 last year. Due in the main to the elimination of the Excess Profits Levy and the reduction of sixpence in the standard rate of Income Tax, our net profit after taxation has increased by £174,254 at £1,211,157, compared with £1,036,903.

We are, however, entirely satisfied that this policy has been the correct one, for not only has it helped to increase the great goodwill which already exists between this Company and its distributors and dealers throughout the world, but—what is perhaps even more important—it has enabled us to play our part, however small, in the national effort to hold down the cost of living, on the successful outcome of which the prosperity of this country so largely depends.

With the best will in the world, however, there is a limit to which a policy of price stabilisation can be taken under these conditions. Faced with the prospects of a further drop in our profits on an expanded turnover during the current year, we have reluctantly been compelled to raise the prices of all of our products since the end of the financial year.

WAGE INCREASES

Quite the most disturbing feature of the engineering industry today are the continued and persistent demands for wage increases which now come round as surely as the seasons, bringing in their train not only additional labour costs but inevitably increased material costs as well.

It is my confirmed belief that any wage

increases in the future that are not matched by an equivalent increase in productivity cannot help but lead, sooner or later, to our being priced out of our traditional world markets, with unemployment in our industry as the inevitable result. I hope it will not be too late before this fundamental truth is appreciated in those quarters responsible.

PROFIT-SHARING

For some years it has been the Company's policy to reward our workpeople by bonus payments at Christmas for their efforts over the past year. We have now decided to replace this by a profit-sharing scheme in which the amount distributed to our employees will have a predetermined relation to the profit earned by the Company each year. This decision falls into line with the policy enunciated by the Prime Minister in a recent speech.

CYCLING SCHOOL

In an attempt to combat the mounting toll of road accidents of which children and young people are so often the victims, we have recently instituted a School of Cycling for children. It is perhaps a measure of the need for something of this nature that the Right Honourable J. A. Boyd-Carpenter, MP, the former Minister of Transport and Civil Aviation, himself came to open our first school in Nottingham, which we intend shall be the forerunner of many more to come throughout the country. Already in Nottingham alone, to the great satisfaction of their parents, over 600 children have passed their proficiency test, thus gaining the confidence and road sense necessary to enable them to take their rightful place on the highways of this country.

THE LANCASHIRE COTTON CORPORATION LIMITED

Condensed Balance Sheet as at October 1955

	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, 1935		3,216,580
	<u>8,250,000</u>	<u>8,105,039</u>	Additions at Cost less Sales		<u>6,905,029</u>
					10,121,609
Capital Reserves		396,797	Less: Provision for Depreciation		3,200,000
Revenue Reserves		10,850,000			<u>6,921,609</u>
Profit and Loss Account		<u>980,325</u>			
		20,332,161	Wholly-owned Subsidiary Com- pany—Shares at Cost		700
3½% First Mortgage Debenture Stock (with interest to date) ...		1,756,052	Current Assets:		
			Stocks on Hand	5,941,592	
Current Liabilities and Provisions:			Debtors	1,522,582	
Sundry Creditors	580,189		Investments	1,546,896	
Provision for Taxation	3,040,761		Tax Reserve Certificates ...	2,500,000	
Proposed Dividends	<u>349,357</u>		Treasury Bills	3,985,315	
		3,970,307	Cash at Bankers	<u>3,639,826</u>	
		<u>£26,058,520</u>			<u>19,136,211</u>
					<u>£26,058,520</u>

THE SCOTTISH AUSTRALIAN COMPANY LIMITED

A SOUND AND HEALTHY POSITION

MR J. NORMAN EGGAR'S REVIEW

The annual general meeting of The Scottish Australian Company Limited was held on December 22nd in London.

Mr J. Norman Eggar (Chairman and Managing Director) presided, and in the course of his speech said:

Our meeting this year is a week later than usual, as I only returned from my last Australian trip a week ago. I was able to visit 21 of the Company's stations, and to meet many of the managers of our other Queensland stations which my itinerary would not allow me time to visit. The whole of Australia has had an exceptionally good year; however, it is always well to remember the dangers of bush fires, all the greater when growth of pastures is abundant, and that a succession of good seasons must in the natural course of events be succeeded by some droughty periods. The movement of stock is becoming increasingly difficult in Queensland since railway employees have refused to work overtime, and that means that fat cattle for market or meat works are being held up everywhere and the risk of mortality is greater.

After a detailed review of his visit to the various properties, the Chairman said:

Proceeds from Wool and Live Stock: There were decreases of £131,301 and £15,220 respectively. Wool Clip taken to Profit and Loss Account was 9,463 bales, 887 more than the previous year, but the average price realised declined by £22 8s. 11d. per bale. Proceeds from Wheat and other Crops show a reduction of £15,976 on the previous year. 35,114 fewer bushels of wheat and 3,886 bushels of oats were harvested by the Parent Company.

After commenting on various other items, the Chairman continued: As stated in the Report, the amount available for distribution is £484,012. We have allocated £100,000 to General Revenue Reserve and £15,665 to Staff Bonus. Let me assure you that this bonus is tremendously appreciated by the staff in Australia and in London. I was deeply impressed by the great loyalty and enthusiasm of all concerned in Australia.

After payment of the dividends on the Guaranteed Preference Stocks and the interim and final dividend, if approved, on the Consolidated Ordinary Stock, we are carrying forward £204,881 as compared with £123,601 last year.

After a detailed review of the Consolidated Balance Sheet the Chairman said: Sheep numbers at June 30th were 341,977, a reduction of 3,346. Cattle increased by 6,813 and numbered 92,975 at June 30th.

I think you will agree that the Balance Sheet shows a sound and healthy position. As to the current year, I will just say this: Given normal rainfall I look for better revenues from our cattle stations. If wool prices hold at their present level, there should not be any great falling off in proceeds, for lambings have been good. The return from Wheat and other Crops will definitely be better. We all know the hazards attendant on our Industry, and any forecasts may be changed by weather conditions. I must repeat the warning in the Report about future dividends.

The report and accounts were adopted.

J. BROCKHOUSE AND COMPANY

FURTHER SUBSTANTIAL IMPROVEMENT

The fifty-eighth annual general meeting of J. Brockhouse and Company Limited was held on December 21st at West Bromwich. Mr J. L. Brockhouse, MA (chairman and managing director), presiding. The following is an extract from his circulated statement: The profit of the Group shows a further substantial improvement this year which is due in the main to the general increase in the engineering activity throughout the Country and subject to conditions remaining stable, your Directors see no reason why this improvement should not continue.

Throughout the whole Group the volume of orders continues at a very high level, and it is anticipated that production should show an increase during the next year, the greatest limitations being the availability of additional labour and the supply of raw materials, particularly steel.

In spite of the very high level of trade, there is a constant threat in the background which causes concern to all, that is the steadily rising costs of material and labour. Competition in export markets grows more and more severe and there is no margin to spare in the present prices.

As I see it, the continued soundness of our economy depends upon an increasing demand from the traditional markets, particularly the Dominions. For our own preservation, we must develop these markets as rapidly as possible.

The report was adopted and a total dividend of 7½ per cent on the Ordinary Stock was approved.

HERRBURGER-BROOKS LIMITED

LARGER PROFIT

The thirty-fifth annual general meeting of Herrburger Brooks Limited was held on December 22nd in London, Sir Louis Sterling, chairman, presiding.

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

There has been an increase of business which is reflected in the larger net profit. The results in the last few years have enabled the company to maintain a dividend at the rate of 1s. 6d. per share. Having in mind, however, the occasions when during trade depressions little or no dividend was possible the directors feel that a small extra payment is justified. They propose therefore a dividend at the rate of 1s. 9d. per share.

During the present year the whole of the business of the company has been well maintained but a recent large increase in rates of wages has necessitated price increases and it can only be hoped that the higher prices will not have any adverse effect on sales throughout the Piano trade, bearing in mind the overriding importance of Export Markets to the Industry as a whole.

In addition to the direct exports of the company, which have been increased by the business acquired from Etabs J. Herrburger of Paris, the greater proportion of the company's business is dependent on indirect exports as our products are incorporated in Pianos manufactured in this country. These are mainly devoted to Export Markets, and we can only hope that the export demand for British pianos will continue.

It is difficult to forecast the future but unless there is any depreciation of the general trade conditions your directors view the future with confidence.

The report and accounts were adopted.

SIR LINDSAY PARKINSON AND COMPANY LIMITED

(Building and Civil Engineering Contractors)

WIDE VARIETY OF CONTRACTS SECURED

The eighteenth annual ordinary general meeting of Sir Lindsay Parkinson and Company Limited, was held on December 22nd at The Criterion, Lower Regent Street, London, W.1, Mr A. E. Parkinson, chairman of the company, presiding.

The following are extracts from his statement circulated with the report and accounts:

The Accounts for the year 1954 show that the Group Profit applicable to the Members of the Parent Company after Taxation amounts to £74,918, as compared with £36,750 for 1953. The profit for 1954, however, includes a credit of £113,963 in respect of provisions for Taxation for earlier years no longer required.

The Group Profit and Loss Balance carried forward amounts to £103,921, compared with £56,854 brought in. After providing for the Dividends for the year, the balance carried forward on the Parent Company's Profit and Loss Account amounts to £64,051, compared with £111,254 brought in.

CONTRACTS

Work at home progressed satisfactorily during the year and during 1955 our speculative housing programme has been further expanded. The Company continues to secure a wide variety of Building and Civil Engineering contracts and contracts for the production of Opencast Coal for the National Coal Board.

Our Subsidiary Companies in Australia were faced with difficult conditions in 1954, but this current year has proved a little better.

Our incursion into the Canadian field has, I regret to say, proved unprofitable. In common with other Contractors, we have found the competition very keen and, generally, remunerative contracts have not been secured. These conditions continued in 1955.

The volume of work in Cyprus has been maintained and further substantial contracts have recently been secured from the War Office and from the Air Ministry. Excellent progress continues to be shown.

As I mentioned last year, the Tema Harbour contract on the Gold Coast, valued at some £8 million, is being carried out by Parkinson Howard Limited, an association of Messrs John Howard & Company Limited and ourselves. This work is likely to extend over the next four years.

The British Guiana contract is making satisfactory progress.

The Settlement in India referred to last year was duly ratified and as a result it has been possible to incorporate the trading results in India in the Accounts.

THE DIVIDEND

The Board has decided to recommend a Final Dividend on the Ordinary Stock of 6½ per cent (less tax), making a total for the year of 9 per cent (less tax). This dividend compares with 10½ per cent on the Ordinary Stock last year, before the Capital reorganisation.

The report was adopted.

AUCKLAND UNIVERSITY COLLEGE

(UNIVERSITY OF NEW ZEALAND)

Applications are invited for a Tutor/Organiser in the Adult Education Centre. The salary scale for the position is £881 7s. rising to £1,031 7s. by annual increments of £50. An allowance is made for travelling expenses. Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 36 Gordon Square, London, W.C.1.

The closing date for the receipt of applications, in New Zealand and London, is February 21, 1956.

STATISTICIAN, DEPARTMENT OF STATISTICS

FEDERATION OF NIGERIA

Candidates must possess a good honours degree in mathematics, economics or other appropriate subject. The appointment is either on probation for the pensionable establishment at an appropriate point in the salary scale, £624 to £1,380 per annum, or on contract terms at an appropriate point in the salary scale, £690 to £1,524 per annum, with a gratuity of £25 to £37 10s. for each period of three months' service, payable on termination of contract. In both cases additional emoluments are payable, ranging from £180 to £300 per annum, according to salary. Outfit allowance, £30 to £60 on first appointment. Taxation at local rates. Furnished Government quarters provided, when available, at a rental of 8½ per cent of basic salary (maximum £150 per annum). Free first-class passages on appointment and leave. Apply in writing to the Director of Recruitment, Colonial Office, Great Smith Street, London, S.W.1, giving brief age, qualifications and experience. Mention the reference number (BCD 59/14/02).

PRODUCE OFFICER required by the Government of the Northern Region, Nigeria, for one tour of 12 to 24 months in the first instance. Commencing salary according to experience in salary scale (including inducement addition), £780, rising to £1,680, with prospects of permanency. Outfit allowance up to £60. Free passages for officer and wife, assistance towards children's passages, and assistance up to £288 annually for their maintenance in U.K. Liberal leave, on full salary. Candidates must hold a University degree in Agriculture or Economics, or a National Diploma in Agriculture, or a degree in the handling of agricultural products, particularly grading inspection and storage; some knowledge of prevention and control of pest infestation of stored products; and ability to drive a car would be an advantage. Write to the Crown Agents, 4 Millbank, London, S.W.8, giving age, name in block letters, full qualifications and experience, and quote MIB/42896/EN.

RICHARD COSTAIN LIMITED

have a vacancy for an

ACCOUNTANT

to be in charge of internal audit work for the Group.

Under the Group Accountant, he will be responsible for seeing that Management Accounts are kept on approved lines and for verifying their accuracy. He will also be asked to report on the adequacy of internal checks, stores control and stocktaking.

Because of the widespread nature of the Group's activities, considerable travel will be involved, abroad as well as at home.

The starting salary will depend on age and experience, but will not be less than £1,800 per annum.

Write to: G. D. Latimer, Esq., Personnel Controller, Richard Costain, Ltd., 111 Westminster Bridge Road, London, S.E.1.

THE ROOTES GROUP requires the services of a fully qualified Works Manager to take charge of commercial vehicle machine and assembly plants situated at Luton and Dunstable, and employing over 2,000 operatives. The post presents a unique opportunity for advancement. Superintending scheme in operation. Applications must be in writing, and will be regarded as strictly confidential, should give information regarding previous experience, age, availability, etc., and should be addressed to The Secretary, Rootes Group (Manufacturing Division), Ryton-on-Dunsmuir, near Coventry.

YOUNG ASSISTANT, aged 23-27 (man or woman), required in the Market Research Department of London Company. Commencing salary, £550 per annum, according to age and experience. The successful candidate will possess initiative and the ability to handle and develop projects without close supervision. Responsibilities will include statistical analysis and detail supervision of surveys. University or Advanced Level education desirable for a permanent appointment which is pensionable. —Box 335.

COMMERCIAL MANAGER—An exceptional opportunity is open to a man with experience in purchasing and commercial management to join a large, successful and internationally known American manufacturing Company operating in the soft goods field. The successful candidate will be expected to play an increasingly important part in the management of the Company and be able to accept promotion. The Head Office of the Company is near Glasgow. Starting salary, £1,750, with initial prospects of £2,250, plus liberal Pension Scheme.—Reply, with brief details of career, including salaries earned, to Box 334.

STATISTICIAN REQUIRED to complete operations research team working on experimental design problems, quality control, operations research and linear programming. An experienced graduate who is seeking an application for theoretical knowledge, or a recently qualified graduate with a degree in the trade, etc., will be welcome. Good mathematics or statistics degree, or A.I.S. required. Salary £700-£1,000 per annum according to age and experience.—Apply Personnel Manager, Glacier Metal Co., Ltd., Ealing Road, Alpertown, Middlesex.

DUE TO THE EXPANSION of its activities, a nationally known manufacturer has vacancies in its Market Research Department for Research Officers, able to initiate and write reports on consumer and trade surveys of all kinds.—Write, giving brief details of career to date and qualifications held. All replies will be treated in the strictest confidence.—Box 333.

MARKET RESEARCH ASSISTANT—S. Maw, Son and Sons, Ltd., require Market Research Assistant to collate marketing data on branded products distributed through retail chemists. Duties include preparation of market report, investigation of new lines, a study of developments in the trade, etc., and experience and/or knowledge of Chemists' business preferable.—Please write, stating age, qualifications and salary required, to Marketing Officer, S. Maw, Son and Sons, Ltd., New Barnet, Herts.

YOUNG & RUBICAM, LTD., Advertising, invites applications from men or women for a senior post in the Research Department. Experience in social research, though not necessarily in market research, is essential. Preference will be given to those with good degrees in Psychology or Social Anthropology.—Please write to The Research Manager, 285 Regent Street, W.1.

MARKETING RESEARCH ANALYST—Applications are invited for a young man, aged between 24 and 30, in the Marketing Research Section of The General Electric Company at the London Head Office. Candidates should have at least two-three years of agency experience, preferably in consumer and retail surveys, and some knowledge of sampling techniques. Good starting salary and excellent opportunities for advancement in a growing Section.—Applications, marked (M.R.), and stating age and salary required, together with two references, should be sent to The Staff Manager, The General Electric Company, Ltd., Magnet House, Kingsway, London, W.C.2.

COST ACCOUNTANT required by a large industry manufacturing Paper Boxboards and Fibreboard Containers. Applicants should have passed the I.C.W.A. examinations and have first-class knowledge and experience of standard costing. The appointment will be on the senior staff of our Costing Department.—Write, giving full details of qualifications, experience and age, to Personnel Manager, Thames Board Mills Limited, Purfleet, Essex.

THE METAL BOX COMPANY LIMITED requires a Publicity Executive to work under the Publicity Manager with particular responsibility for press advertising. An appropriate salary will be paid to an experienced and well-qualified man.—Write, giving full particulars, to Head of Staff Division, The Metal Box Company Ltd., The Langham, Portland Place, London, W.1, quoting Reference PE/2.

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.
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Hongkong: £7
India & Ceylon: £6
Iran: £6

The Economist: Annual Air Subscription Rates

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.

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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, 1956, 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.

MARKET RESEARCH: An opening exists in the Research and Development Division of a leading food manufacturing company, requiring a young man or woman with practical experience of Market Research, and offering an unrivalled opportunity to develop and broaden that experience.

The company has a very high reputation as one of the leading concerns in this country in the application of scientific method to problems of manufacture, marketing and distribution. The work of the successful applicant will be in the field of market investigation and assessment, and the planning of field surveys, consumer panels, etc., related to both existing and new products.

Candidates should be between 25 and 30 years of age, and have a good honours degree in Economics, Sociology or Psychology.

The company is more interested in obtaining the services of the right person than in initial salary, but this will be at a high level, plus non-contributory life assurance and pension cover.

Please write fully, giving details of age, education and career to date with salaries earned, to Box 312. Strict confidence will be observed.

IBM UNITED KINGDOM LIMITED require Technical Author to assume responsibility for writing instructional manuals on IBM punched card accounting machines and computers. These are not engineering or electronics manuals; their purpose is to teach users, in detail, how to set up or programme the equipment. A high standard of lucidity and precision is required. Experience of technical or manual writing essential. Some accounting and/or mathematical background very desirable. Comprehensive theoretical and practical training will be provided. Age not exceeding 35. Salary will be by arrangement.—Please write to Personnel Manager, 100 Wigmore Street, London, W.1, quoting Reference EAM/A/3.

WANTED

One Chief Accountant—for Steel Rolling Mill. Must be member of Institute of Chartered Accountants of either England or Scotland, or of the Society of Incorporated Accountants and Auditors. Should have at least five years' accounting experience, preferably in Steel Mills. Should be able to set up and operate an efficient system of cost accounts. Also

Two Chief Accountants—for two Sugar Mills. Must be members of either Institute or Society named above. Should have at least five years' accounting experience, preferably in Sugar Mills. Should be able to set up and operate an efficient system of cost accounts. Also

One Chief Accountant—for Jute Mill. Must be member of either Institute or Society named above. Should have at least five years' accounting experience, preferably in Jute Mills. Should be able to set up and operate an efficient system of cost accounts.

A three-year Contract in the first instance, renewable by mutual agreement. Terms are: salary £1,500 per year (will be increased for exceptionally qualified person), leave with full pay at 1/11 of the time spent on duty, round trip passage and free housing. Reps. fully stated education practical training, business experience, age, marital status and dependants, should be sent to:—

Director-General,
Government of the Union of Burma,
Industrial Development Corporation,
53 Halpin Road,
Rangoon, Union of Burma.

The application should reach the above address not later than January 16, 1956. A copy of it should also be forwarded to the Embassy of the Union of Burma, 19A Charles Street, Berkeley Square, London, W.1, U.K.

MANAGEMENT ACCOUNTANT

RICHARD COSTAIN LTD

have a vacancy for a

GROUP ACCOUNTANT

This is a senior and responsible position in which general management ability is as important as to be a first-class accountant.

Most of the time the work will be in London but an occasional trip overseas may be necessary.

Previous experience will be given to Chartered or Incorporated Accountants who have had some years recent commercial experience.

Starting salary up to £2,500 per annum, depending on age and experience. Write G. D. Latimer, Esq., Personnel Controller, Richard Costain Ltd., 111 Westminster Bridge Road, London, S.E.1.

PHILIPS ELECTRICAL INDUSTRIES LTD. requires at its London headquarters a **PENSIONS MANAGER**. Applicants should be over 40 years of age having had considerable group pension or associated experience together with a proved aptitude for dealing with people as individuals. An initial salary of not less than £1,000 per annum is envisaged with reasonable prospects of advancement.—Replies, in confidence, should be addressed to Mr William Bree, Personnel Officer, Ref. No. 787, Century House, Shaftesbury Avenue, London, W.C.2.

SALES MANAGER IN INDIA (35) is desirous of returning to the UK for domestic reasons. Post with responsibility and prospects required. Experienced in Import/Export. Public School. Available for interviews latter half of January.—Please write Box 318.

INTERNATIONAL LINOTYPE LIMITED

21 JOHN STREET, LONDON, W.C.2.

At a Board Meeting of this Company have declared an Interim Dividend of two and three-quarters per cent (£2 15s. per £100 stock), less Income Tax, in respect of the financial year ending March 31, 1956, which will be paid on January 20, 1956, to the Stockholders on the registers of December 22, 1955. C. LAST, Secretary.

SUCCESSFUL TUITION FOR THE B.Sc. ECON. DEGREE

Wolsey Hall (established 1894) provides successful Postal Courses in a wide range of subjects for the two examinations for the London University Economics Degree (three if Entrance is included). Very reasonable fees; instalments. Over 1,000 Wolsey Hall students have secured this degree since 1925.—Prospectus from C. D. Parker, M.A., LL.D., Director of Studies, Dept. F.16, WOLSEY HALL, OXFORD.

PORTUGUESE/SPANISH Evening Classes in London. All grades from January 9th. Educ. Dept., Hispanic Council, 2 Belgrave Sq., S.W.1. SLO 7186

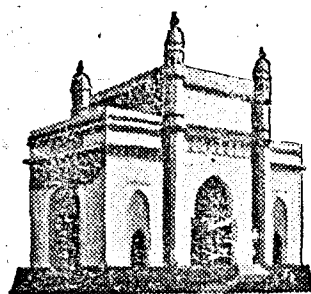
PAINT IN OILS. Fascinating eight-lesson postal course with Hayward Veal as your personal tutor. Quickest, surest way to professional skill in painting.—Details from Pitman College of Art, 54 Pitman House, Godalming, Surrey.

THE POLYTECHNIC, 309 Regent Street, W.1. New Developments in Industrial Control. A series of five lectures will be held on successive Mondays from 6.30-8 p.m. on January 9, 16, 23, 30, and February 6, 1956, in the Fyvie Hall of The Polytechnic. Speakers: Dr Mark Abrams, Mr M. D. Callender, Mr J. R. M. Simmons, Mr E. D. Van Rens, Mr F. H. Perkins. Chairmen: Mr John Ryan, Mr Whitely. The Lord Tavitot.—Applications to the Registrar, Department of Management Studies, St. Katharine's House, 194 Albany Street, N.W.1. Fee £1 10s.

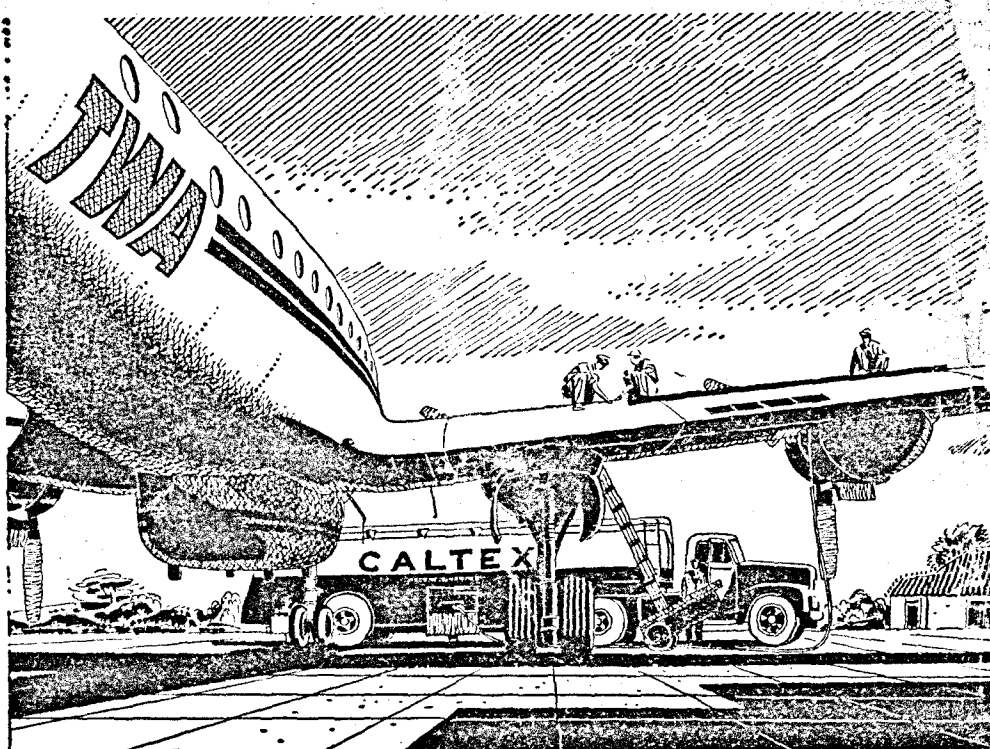
EXPERT POSTAL TUITION For Examinations—B.Sc. Econ., LL.B., and other external London University Degrees: Law, Society & Bus.; Commercial; Civil Service; Commercial; Civil Service; Commercial; General Certificate of Education, etc. Also many non-examination courses in business subjects.—Write today for free prospectus and/or advice, mentioning examination (if any) or subjects in which interested, to the Secretary (G.9/2).

METROPOLITAN COLLEGE, ST. ALBANS

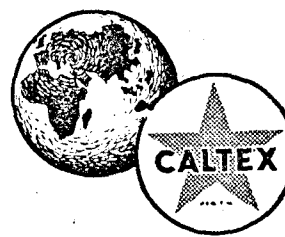
Or call at 30 Queen Victoria Street, London, E.C.4.



INDIA—At Bombay's Santa Cruz Airport, a Caltex crew refuels one of TWA's sleek Constellations, a unit of the world's largest fleet of Connies and Super Constellations. Travelers depend on TWA for speed, comfort and safety... just as TWA calls on Caltex for fuels, lubricants and service that assure dependable engine performance and lower maintenance costs.



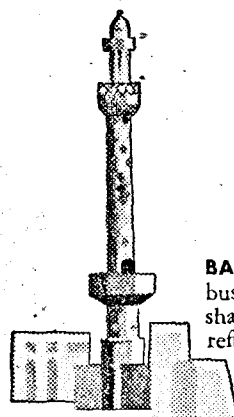
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In 67 lands, across half the world, through such developments as these, Caltex supplies better fuels and lubricants for industry, for agriculture and for motoring millions. These require a continual investment of funds and skill, backed by a faith in a better future for free nations.

Petroleum Products

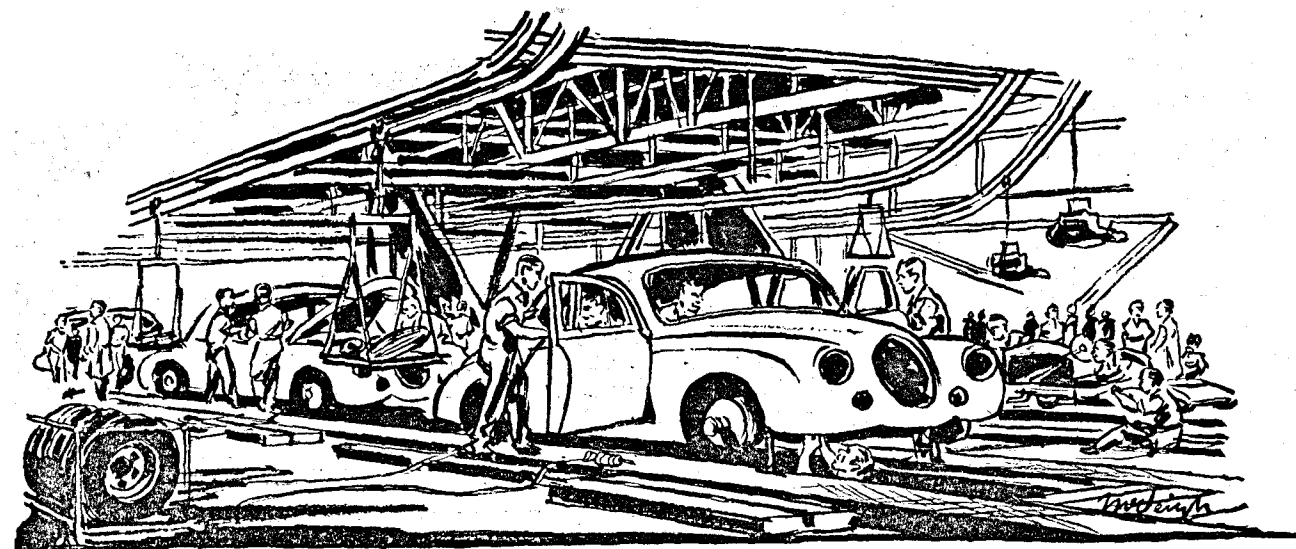
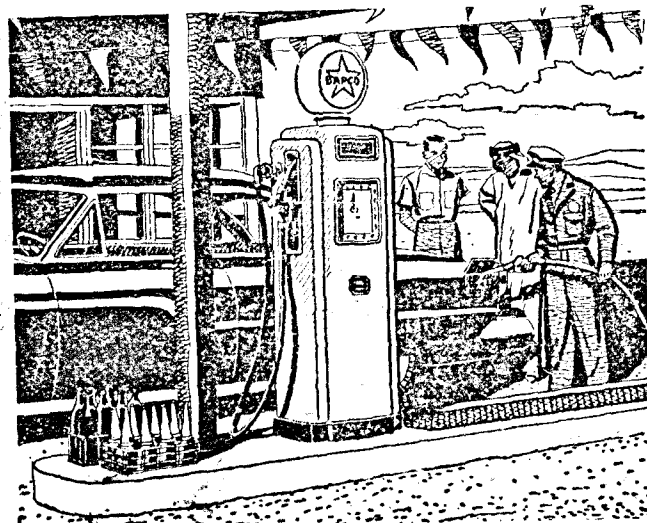
SERVING EUROPE • AFRICA • ASIA • AUSTRALIA • NEW ZEALAND



BAHRAIN—This modern service station is a busy "oasis" in the colorful Persian Gulf shajkhdom of Bahrain. Nearby, the Bapco refinery brings employment to many Bahrainis; assures a brighter economic future, produces petroleum products for markets halfway 'round the world.



ENGLAND—Big Ben is a familiar landmark in the world's largest city. Well known also is the lorry of the Regent Oil Company, Ltd. This Caltex affiliate in the United Kingdom supplies fine petroleum products so essential to progress.



MOTORS IN THE BOOM

Overdrive in the Economy • The Independent Fringe • The Big Five
The Rewards of Size • Export Anxieties • The German Competitor
Volkswagen *versus* Anglia • Current Cars Compared
Sports Cars Rebuild a Market • The Motorist's Choice
Minimum Motoring

Overdrive in the Economy

DURING 1955 motor output has been booming more than the boom; motor factories have been paying the highest wages in the high wage economy; and home sales of motor cars have ridden the crest of the wave of inflation. Car output has been 16 per cent higher than last year, a faster rise than in almost any other major industry and total motor production may approach 1,200,000 units this year; the motor workers, grumbling as usual, have on average been earning not much less than £14 a week; and car sales in Britain are 25 per cent up on the all-time record set last year. Exports, too, are high. But the main upsurge of the motor industry has continued this year to be based upon a home market with plenty of money to spend, and upon selling new cars to more and more of the new middle class young that has most of the loose purchasing power in Britain. Many of these new motorists buy on time: so far at least hire-purchase restrictions seem hardly to have affected new car sales, though a recent collapse in used car values that seems more than seasonal may have its repercussions on new cars.

This expanding industry is not a massive employer; figures of its labour force understate its weight in the economy, and its growth in output is being achieved with a smaller growth in manpower. About 330,000 people are employed in what the Ministry of Labour calls "the manufacture of motor vehicles and cycles," which includes body builders and a large proportion of motor component makers,

and the cycle and motor cycle makers account for about 60,000-70,000 of them; the motor industry proper is probably employing only about 5 per cent more people than it had a year ago. The value of the industry's final output of road vehicles (excluding tractors) and spares has risen from about £500 million in 1954 to a rate of about £560 million this year. Census of Production figures suggest that the "motor vehicle and cycle manufacturing" group accounts for about a fifth of gross output in the engineering industries and about an eighth of net output—emphasising how much this assembly industry relies on putting together parts and materials that it has bought from outside.

Motor expansion, therefore, spells expanding demand for the industries that are geared to it—and those ramifications are wide. Primarily, of course, it means expanding demand for steel—this year expanding in various directions beyond what the British steel industry alone could produce, requiring expensive imports. As a rough rule of thumb, engineers sometimes say that a car weighs as much as the steel that is bought to build it; all the other materials that go in just about offset the amount of steel that is cut off as scrap in the successive processes of motor manufacture. Directly and indirectly, it seems likely that the motor industry consumes about an eighth of total steel deliveries in Britain; last year it may have taken about 1½ million tons of finished steel products, and this year its demands may not be far short of 2 million tons. That total includes

nearly a third of sheet and strip steel and perhaps two-thirds of the total tonnage of drop forgings; in addition, the motor manufacturers take 12-15 per cent of iron castings. It is the biggest consumer of rubber, a very big customer for glass and paint. The extent to which motor manufacturers "buy out" varies between companies: but their purchases are generally of the order of 50-65 per cent of the cost of the vehicles they make, as the chart on page 3 suggests.

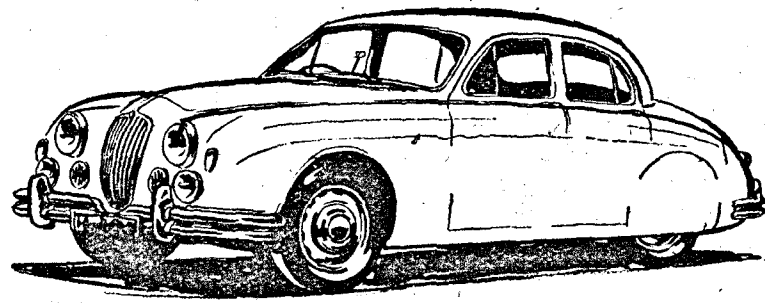
It follows, though this is not always realised, that fixed capital in this industry is not as high as in many others, though its working capital and "loose tools"—for example, body dies—are fairly high. In spite of the large number of specialised machine tools that it employs—and the tendency to reduce labour costs by automation—the motor industry is able to achieve its current expansion with a fairly modest investment in capital equipment. In the current plans of the major companies, for example, Vauxhall is planning to double its output for a capital expenditure of

The Independent Fringe

CONCENTRATION has gone a considerable distance in the British motor industry. Apart from the Big Five—BMC, Ford, Vauxhall, Standard and Rootes—who between them make all but one-tenth of the cars built in Britain, and a small band of tiny firms whose business might be said, as the Royal Commission on Taxation said of some cheque-book farming activities, to "lack commercial inspiration"—there are twelve makes of motor car in this country. And only two of them, Jaguar and Singer, are independent firms for whom motor car manufacture is the main part of their existence. The others are all engineering firms for whom the motor cars form less than half their total business.

Three of these others, Rolls-Royce, Bristol, and Armstrong Siddeley (owned by the Hawker Siddeley group), are now dependent primarily on aircraft and aero engines for their livelihood. The larger part of Alvis's output is probably military vehicles and aero engines. Daimler and Lanchester cars are made by BSA, whose output of machine tools and of weapons is the bulk of its business. Aston Martin and Lagonda cars must be the lesser part of the business of the David Brown Corporation, which makes a wide range of products including gears and gear-boxes, agricultural tractors, and steel castings. Rover is clearly within the motor business—but its output of Land Rovers is much greater than its output of conventional passenger cars.

The total output of Rolls-Royce and Bentley cars, made now at Crewe, not at the original home at Derby, is probably greater than at any time in the history of Rolls-Royce, and might be guessed to be 50 units a week. That is not an inconsiderable turnover of vehicles that retail for between £2,500 and £5,000 each (before tax) and probably yields a satisfactory net profit. It seems less likely that the net earnings from car sales of the other eight makes that are part



The Jaguar 2.4 litre

about seven months' turnover, and the BMC expansion—which admittedly is reaping the advantages of the gradual integration of two huge companies—is probably being achieved even more economically in terms of investment. "Supporting investment," however, is required of the industry's suppliers—in particular, the steel industry has to decide whether it shall risk £100 million or so on a new ship mill to serve this voracious customer.

Motor expansion in Britain today, in fact, is being achieved with a surprising economy of labour and capital resources, at least within the industry itself. This derives partly from the nature of this assembly industry; partly from continued concentration into larger companies; but perhaps mainly from the fact that the industry is today in the fortunate situation where great advances in productivity—and considerable savings in cost—can be gained from sheer increase in the volume of output, both of components and of the mass-produced cars themselves.

of manufacturing operations in other fields are enough to give a reasonable return on the capital attributable to them.

Jaguar is a prosperous business, as a result of the application of a remarkable combination of qualities, very seldom found in association—a flair for sales, first class engineering, and manufacture that is as efficient as it is frugal. Jaguar's sales are probably of the order of 200 to 300 units a week. Until recently the majority of these have probably been the big Mark VII saloon, one of the few British cars that can meet the mass-produced American vehicles on their own ground for size and price—though in the United States the company is perhaps most famous for its fast XK sports cars. For this year's Motor Show the company has returned to the medium-sized car field with a 2.4 litre saloon of sleek and distinctive design. This has been skilfully priced to tap a level of the home market that Jaguar surrendered shortly after the war, and designed to produce a quite new car while using the minimum new investment in jigs and dies. The engine, though substantially changed, derives from the famous twin-camshaft overhead valve engine on which much of the company's success has been based since the war; some of the body panels, too, look to use dies that have earned their keep on other models.

With the exception of Singer, all the independent firms make cars which in price and, for the most part, in size, are well outside the range of the main products of the Big Five. They have a hard task to make and sell their products at a profit; for the best products of the Big Five offer

such a generous measure of what the customer wants—accommodation, quietness and refinement of performance, comfort—that the substantially higher cost necessitated by production in small numbers implies a modest return in terms of comfort or performance for the extra price.

The Big Five

THE largest motor manufacturer in Britain is the British Motor Corporation, whose total output of vehicles, including commercial vehicles and tractors (the latter quite modest in number) is now running at a rate of more than half a million a year. This total is probably nearly twice that of the largest continental manufacturers—Volkswagen in Germany and Renault in France—and much greater than that of the "independent" manufacturers in the United States—American Motors (Nash and Hudson) with an output rate of 120,000 a year and Studebaker-Packard with a rate of 160,000 a year. Thus BMC is the fourth largest automobile manufacturing organisation in the world. It competes most directly with the British offspring of the two largest of all—General Motors and Ford. BMC, Vauxhall and Ford probably make between them 70 per cent of British car output; as the table shows, they are significantly larger in output and capital than the remaining two big makers, Rootes and Standard.

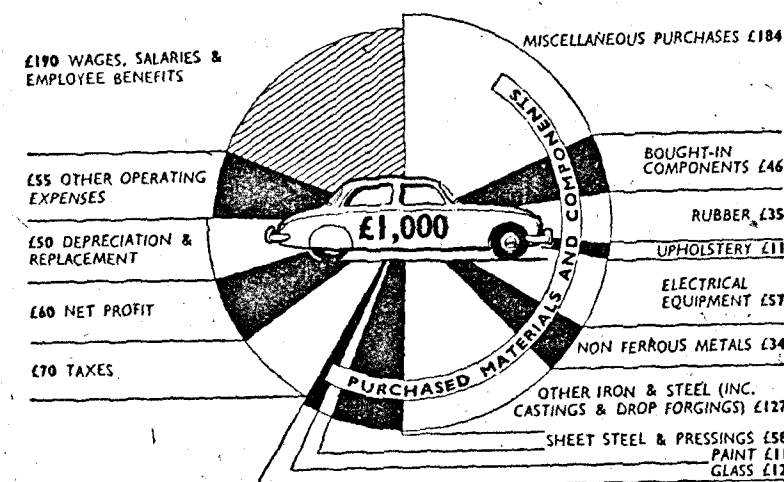
BMC was formed in 1952 as an amalgamation of Austin and the Nuffield organisation, two organisations which were utterly unlike one another in structure. Austin had been built up on the basis of concentration of production at a single works at Longbridge, Birmingham, and concentration of sales effort on the single trade name of Austin; the strength of the company had always been somewhat more on the production than the merchandising side. Nuffield, on the other hand, had been more diffuse both in its production facilities and in the products it offered. The Wolseley and Riley names had been added to Morris by the purchase of these companies when they were in financial straits, and the MG by a separate creation of Lord Nuffield. To the parent manufacturing facilities had been added the engine factory established after the 1914-18 war at Birmingham by the French-controlled Hotchkiss company to make engines primarily for Morris, the Wolseley plant at Adderley Park, and the MG plant at Abingdon. Other acquisitions of Morris were the SU Carburettor Com-

pany, and, originally, a financial interest in the Pressed Steel Company, which was established in collaboration with the American Budd steel-pressing interests at Oxford; this financial interest, however, was liquidated some years before BMC was formed. In spite of this connection with Pressed Steel, the Nuffield group had established body-making facilities of its own, in which were built the bodies of the Morris Minor.

Much the most important development of BMC since it was formed was the acquisition at the end of 1953 of the capital of Fisher and Ludlow of Birmingham, building motor car bodies and other pressed steel products. The other principal customer of Fisher and Ludlow was the Standard Motor Company, which obtained from these the bodies for its high production models. The tie between Fisher and Ludlow and Standard was so intimate that it was only when the latter committed themselves to Pressed Steel for the production of the new Vanguard that has been unveiled at this year's show that Fisher and Ludlow felt free to sell out to Standard's competitors.

For BMC the purchase of Fisher and Ludlow was a logical step to secure adequate body-building facilities. In the same year Ford felt it necessary to purchase the whole capital of Briggs Bodies, though the Briggs factory at Dagenham was already mainly involved in building Ford bodies. Reliance by a major manufacturer on an independent source for supplies of bodies is part of a pattern that is fading out in this country and in America. The surprising thing is not that the leading British automobile makers should need to own their body-making facilities, but that they should for so long have operated successfully on a basis of independence. In America, General Motors acquired the Fisher Body facilities in 1919, at the beginning of their great expansion, and have since made for themselves the bodies for all their leading models. The American Ford company originally obtained the bulk of its bodies from Briggs, parent of the British company that its British associate has now

Out of £1,000 of Motor Output a Manufacturer Buys £500-£650 from Outside Suppliers



THE slices of this "pie" diagram give an impression—no more—of the way in which the turnover of a "typical" motor manufacturing company, making commercial vehicles as well as cars and a large amount of spares for both, may be divided between labour, capital, purchased materials and components—and taxation.

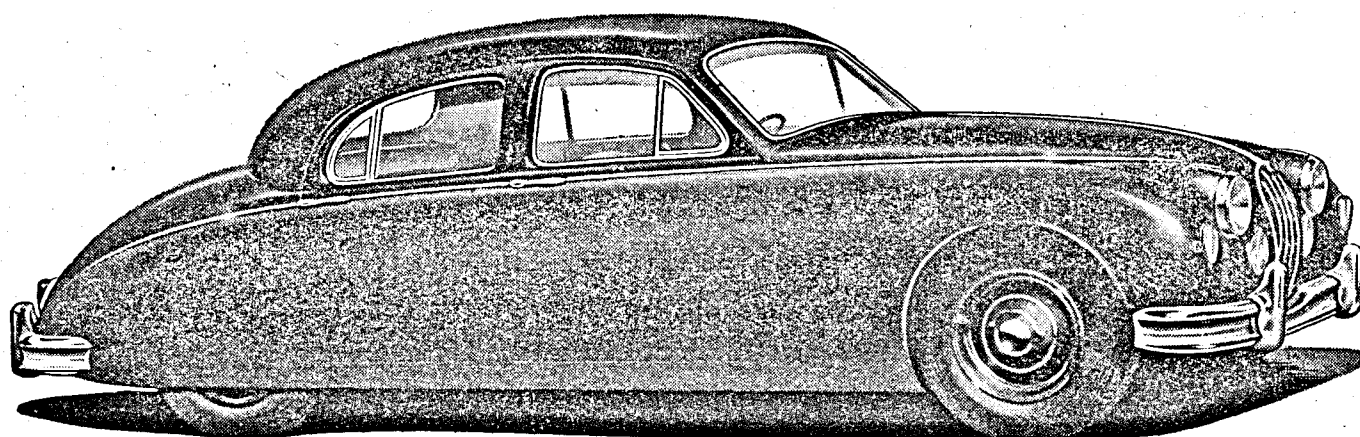
Obviously, no actual manufacturer is "typical"—each makes a differently mixed bag of products, and the amount to which the major companies "buy out" varies sharply. This national company, moreover, is shown as providing much more than normal depreciation, to cover replacement costs. The figures have been obtained from a variety of sources, and have some degree of error; but they show beyond error the heavy demands that this industry makes on the rest of the economy.

HERE TO JOIN THE FAMOUS MARK VII AND XK140 RANGE OF MODELS

JAGUAR

PRESENTS THE

Two-point-four
LITRE



TO THE already famous range of Jaguars exemplified by the Mark VII and XK140 models, comes the 2.4 litre Jaguar saloon, a brilliant newcomer in which will be found the embodiment of all the highly specialized technical knowledge and engineering achievement that have gained for the name of Jaguar the highest international repute. In its outward appearance the unmistakable Jaguar line of grace is seen with lesser, more compact overall dimensions than those of the Mark VII, yet the interior has been so skilfully planned that full accommodation for five persons is provided and further provision made for generous luggage accommodation. The 'Two-point-Four' is powered by an engine of 2.4 litres capacity and is the latest

development of the famous six-cylinder, double overhead camshaft, XK engine which is acknowledged to be the most advanced high efficiency production engine in existence. With a power output of 112 brake horsepower, and a power/weight ratio of 90 brake horsepower per ton, phenomenal acceleration is placed at the driver's command and, if desired, a maximum speed of over 100 m.p.h. reached with ease, silence and refinement. To those motorists whose desire for a car of compact dimensions is a matter of personal preference the opportunity is at last presented, not only for satisfying that desire, but for gratifying a natural wish to own a car the mere possession of which indicates insistence on owning nothing but the best . . . a Jaguar.

STANDARD MODEL: £895 (with purchase tax £1,269.0.10.) SPECIAL EQUIPMENT MODEL: £916 (with purchase tax £1,298.15.10.)

STAND 154 EARLS COURT

. . . a new Jaguar masterpiece

bought. But in the mid-thirties Ford established its own body facilities. Last year Chrysler bought from Briggs the whole of the latter's body-building plant, which had latterly been principally occupied in building bodies for Chrysler's Plymouth and for the Hudson company. The Big Three of the United States automobile industry, therefore, are self-contained in respect of the bulk of their body requirements.

So, too, are today the biggest three in Britain. No doubt the acquisition by the English Ford Company in 1953 of the whole capital of Briggs Motor Bodies arose partly from the difficulties of this relationship between the car maker and the body builder. The price Ford paid was a modest one, less than it would have cost to establish corresponding manufacturing facilities of its own. Thus Ford as well as BMC has become self-contained for its major body-building requirements; while Vauxhall has never relied to any substantial extent on outside sources for its bodies. There are, of course, irregularities in the pattern; for example, the

convertible bodies for Ford and other large manufacturers are built by Car Bodies Limited, using wherever possible the panels made by the parent for its saloon bodies.

The other two leading manufacturers, Rootes and Standard, rely on outside sources for part of their body requirements. Rootes owns British Light Steel Pressings and Thrupp and Maberly, but it draws the bodies for the Hillman Minx from the Pressed Steel Company, which makes some of the body shells for the group. Standard has no body-building facilities of its own, and relies on various sources. Fisher and Ludlow build the bodies for the Standard Eight and Ten; Pressed Steel will make the bodies for the new Vanguard; while Standard's van bodies are made by Mulliners of Birmingham. The latest concentration of ownership of body building may have its implications for the future structure of the industry. As output grows and the home market becomes more competitive, pressure on body building facilities will intensify.

The Rewards of Size

THESE five big manufacturers are today making fairly comfortable profits out of producing a fairly broad "main range" of good, conventional medium-sized cars extremely efficiently, and selling all they can produce—on the home market with ease, and abroad against growing foreign competition. From the Austin A30 and Standard 8 at the bottom to the Ford Zodiac, Vauxhall Cresta, and Humber Hawk at the top, this postwar range symbolises the British manufacturer's idea of what motorists in Britain and in the world overseas can be brought to agree upon buying—a moderate-sized, very comfortable and well-appointed car, with considerable fuel economy and a fairly lively performance, designed for production at low and decreasing cost. Without the extremes of standardisation on models that some zealots advocated just after the war, Britain's major companies have achieved a considerable degree of standardisation in engines and body pressings, to match standardisation by makers of fuel and electrical equipment—BMC's "B" engine, in its 1,500 cc version, goes into the Austin A50, the Morris Oxford and the new MGA, and in its 1,200 cc version into the A40 and the Morris Cowley, while Ford's 1,172 cc engine powers the "100E"

Anglia and Prefect, and in an earlier version goes into the sturdy Popular, that outstandingly cheap survivor of the company's prewar designs. In some aspects at least of its factory reorganisation and tooling for quantity production, this second largest car industry in the world is nearer to Detroit than any other country's.

Quantity production is profitable production. During the last few years labour and materials costs have risen much more than the car makers have put up their prices; but for the biggest three makers at any rate, unit and total profits have been rising too (though during 1955, the latest Ford half yearly report would suggest, not as fast as sales). On their 1954 reported results, Vauxhall was making nearly 20 per cent on sales and Ford about 15 per cent. BMC does not publish turnover figures; but unit profits (on mixed bags of vehicles, tractors and spares that of course vary sharply in composition for these three companies) were nearly £100 a unit for Vauxhall, about £65 a unit for Ford, and for BMC (over a period heavily affected by reorganisation which was not nearly complete) about £50 a unit. This year's sharper rises in labour and materials costs will have shaved those margins, but it is safe to bet that the

THE FINANCES OF THE BIG FIVE IN 1953-54

(Money figures in £'000)

	Vauxhall	Ford (incl. Briggs)	BMC	Standard	Total of Four	Humber Ltd.*	Total of Five
Year Ending	Dec. 31	Dec. 31	July 31	Aug. 31		July 31	
Land and Buildings (gross).....	4,773	9,910	9,187	2,966	26,836	1,384	28,220
(net)	3,255	7,038	6,468	1,507	18,268	1,182	19,450
Plant, machinery, equipment (gross)	13,450	32,330	32,479	5,837	84,096	6,528	90,624
and tools † (net)	4,138	17,055	13,729	2,598	37,520	3,493	41,013
Total net fixed assets (incl. tools†)	7,592	24,093	20,197	6,034	57,916	4,675	62,591
Stock and work in progress	7,611	18,686	31,020	7,304	64,621	8,364	72,985
Net current assets used in operations **	8,017	5,738	17,748	125	31,618	2,659	34,277
Number of vehicles produced	130,951	297,788	353,834	134,500	917,073	n.a.	n.a.
Total turnover	66,631	127,310	n.a.	n.a.	n.a.	n.a.	n.a.
Trading profit before depreciation	13,595	21,945	20,475	3,315	59,330	2,473	61,803
Depreciation	1,357	3,642	2,613	1,041	8,653	625	9,278
Profit after depreciation	12,238	18,303	17,862	2,274	50,677	1,848	52,525

* Humber Ltd. has been taken as including the main motor manufacturing interests of the Rootes group—Humber, Hillman, and Sunbeam Cars, Commer and Karrier commercial vehicles. † Unamortised cost of tools is shown differently by the different manufacturers. These figures of Net Fixed Assets therefore include tools for Vauxhall Ford and Standard, but not for BMC and Humber. ** Excluding such assets as cash, tax reserve certificates, and liabilities such as tax, etc.

motor industry—while output increases—can weather them better than any other section of engineering. Ford and BMC both decided not to follow other makers in putting their prices up this autumn.

"Monopoly profits," some critical consumers would growl, "made on tinware." They would be quite wrong. At the top of this industry, competition is bitter; the net returns are not exceptionally high on the real value of the companies' capital; and throughout this year customers have been flocking to buy these desirable cars, tinny or not, an' ready in some cases to pay £50 or £60 over the listed prices for certain models to grey market dealers who have been unscrupulous enough to act like Economic Man. The companies can perhaps be accused of too conservative an assessment of what their mixed home and overseas market would take—they have held back, for example, from what might be called "minimum motoring"—the car of extreme austerity. They have certainly preferred not to pioneer technically—their efforts have been confined to making a conventional kind of car more cheaply than anyone else in Europe yet can, offering unexciting value rather than novelty for money, and they have left innovation, for the most part, to the Continent. Whether a newcomer could possibly break into this mass market today, remains to be seen: Mr Harry Ferguson, in coming months, may offer an object lesson. Neither the big five nor, more particularly, their suppliers, have yet, perhaps, quite mastered their chosen field of quantity production; in achieving this production volume certain standards of workmanship, particularly in bought-out components, seem to have slipped, and British inspection of mass-produced cars has not yet achieved the standards of Detroit.

These points, however, are all secondary; the primary

Export Anxieties

BRITISH car exports this year will probably top last year's total, and Britain ought to remain the world's largest car exporter; but 1955 has not been an altogether happy year for overseas salesmen of the British motor industry. It began well enough, with shipments twenty per cent up in the first four months. Salesmen, however, were already sending in reports of marked German successes in Western Europe and the United States. The port and railway stoppages in May and June did not make delivery promises easy to keep; shipments in the summer fell twenty per cent below the 1954 level. And within the last month has arrived news, not altogether unexpected, of import cuts in New Zealand and Australia. These are by far the industry's largest markets, taking between them one out of every six cars it makes. Moreover, they are, along with the more competitive market in South Africa, the only major outlets for cars in the Southern hemisphere—where the peak selling season comes in our winter and helps to offset fluctuations north of the equator. But if Australia and New Zealand take 35,000 fewer British cars during 1956 than this year, that will be less than 10 per cent of total shipments from this country, and only about 4 per cent of the industry's output. The setback need not be formidable—if sales elsewhere grow to offset it.

On the face of it, there is no reason why they should not.

fact about the British motor industry at the moment is that by concentration and standardisation it has reached a point where it is gaining extremely high returns in efficiency and cost from the sheer increase in output that its penetration into a new mass market for motoring in Britain is enabling it to sell. There is every sign that it is on a sharply rising curve of this virtuous spiral; the higher its sales go, the cheaper it can produce its standard car (cutting prices or offering more for the money). And for the present it is in the home market that its sales can most easily go higher. British motor exports depend most, perhaps, upon the price at which the conventional, comfortable British car can be sold abroad to meet technically more unusual competitors; and that price can be reduced if the volume of sales in Britain goes on rising at its current pace. At such a point in the cost-volume curve of car manufacture, technical adventurousness cannot be expected, though standards of mass-production workmanship are likely to improve.

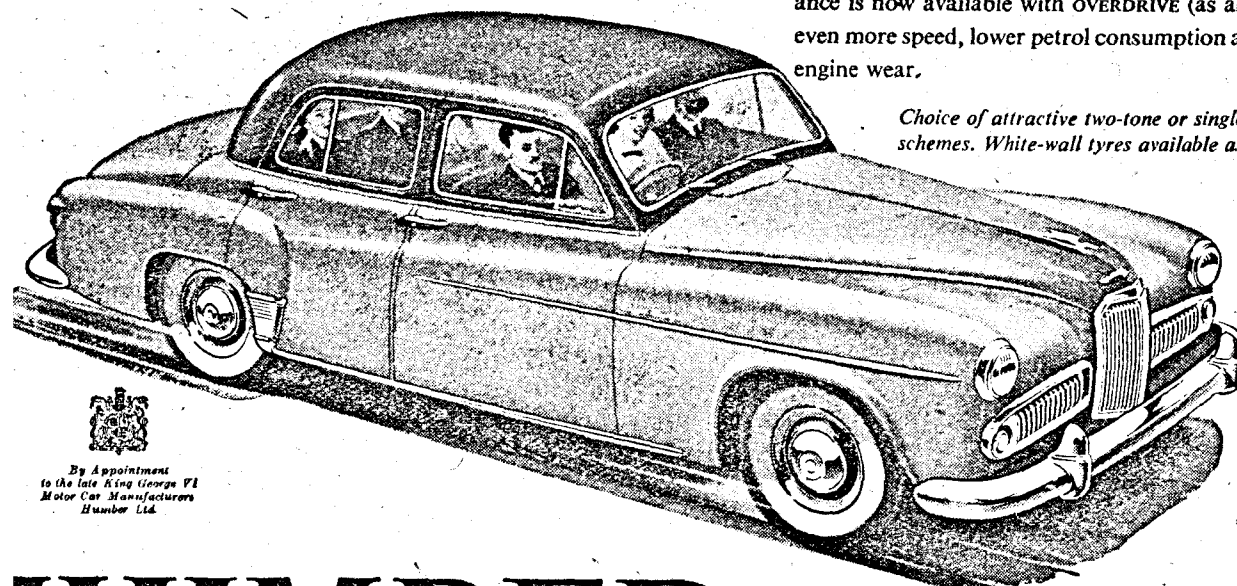
In the booming, overdriven economy of Britain in 1955, the motor industry presents a peculiar problem. It is gaining major returns in productivity and profitability not by making major demands upon labour and capital, but largely from the inflation in consumption that any Chancellor today must be tempted to curb with "comprehensive measures." One has heard the claim, "Exports depend on our home market" too often to accept it whenever an industry wails: but this may well be a copybook case. In the wider context of the economy this autumn, resort to such an instrument as purchase tax might indicate a loss of nerve upon the part of the Chancellor (or his colleagues). For the motor industry—already taxed highly at home and beset overseas—it would be a mistake that might hamper or cripple its main competitive strength.

World trade in cars grew from a little over 530,000 in 1947 to more than 930,000 in 1954, and this year's total may reach 1.1 million. Up to last year, too, the major car exporting countries still largely served separate markets. Western Germany, France, and Italy shipped cars across their frontiers into other parts of Europe, and France also supplied her colonies; the United States industry served the two American continents; Britain served the Commonwealth and had useful shares of the foreign car markets in Europe and North America. As Western Germany came back into the trade from 1950 onwards the European market grew sufficiently rapidly to allow that industry's sales to expand spectacularly without squeezing other countries' exports.

But this year Germany has been selling vigorously on a world scale—in many places at the expense of Britain. In Europe the meteoric rise in the sales of German cars in Sweden is perhaps the inevitable result of the lifting of a tight quota on German imports; but the 50 per cent boost in sales to Austria, Holland, Belgium, and Switzerland, where there have been no such special circumstances, has been equally noteworthy. In all these markets Britain has lost or has only just about held its ground. This year, also, more German cars have been bought in the United States than British models; and they have made considerable

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Saloon (£1095 plus p.t. £457.7.6d.), and Touring Limousine



Relax in the luxury of foam-soft seating, deep pile carpets and rich walnut fittings! Thrill to the flash-away performance of an engine that scarcely whispers at 90! This perfect combination of luxury and high performance is now available with OVERDRIVE (as an extra) for even more speed, lower petrol consumption and reduced engine wear.

Choice of attractive two-tone or single-tone colour schemes. White-wall tyres available as an extra.



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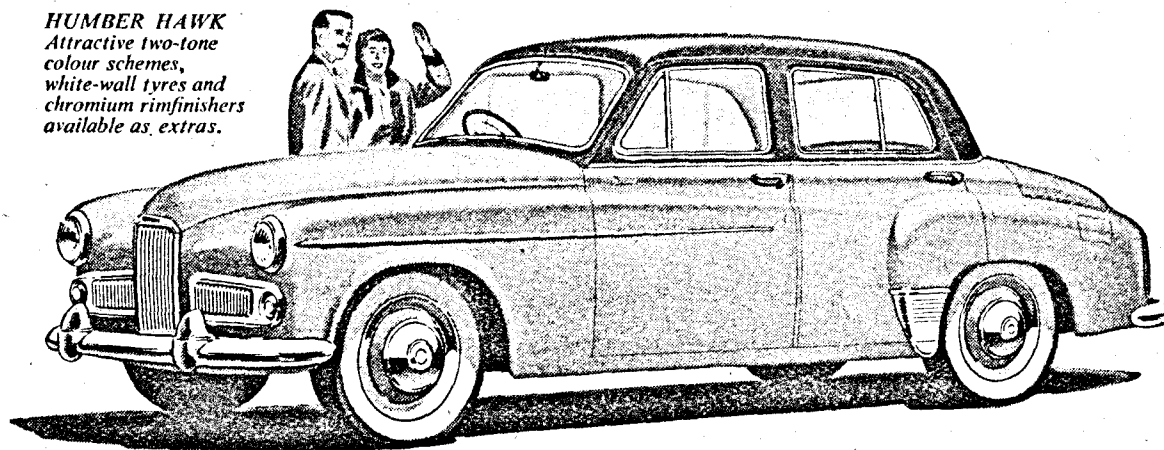
New elegance with two-tone colour schemes

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Here's big car motoring at medium cost! Really roomy, smooth and exciting to drive! Now added to the range, the new all-steel luxury Estate Car with exceptional floor space and the same powerful o.h.v. engine, perfection finish and unique refinements. All available with OVERDRIVE as an extra.

HUMBER HAWK
Attractive two-tone
colour schemes,
white-wall tyres and
chromium trimfinishes
available as extras.



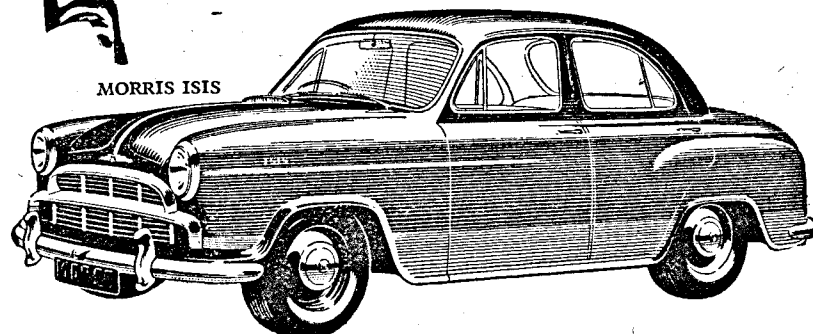
They're safe and fast-built to last!



Now we've seen them all...

GET ALL THE FACTS! When you choose a car on a calculated assessment of the *facts* you are bound to say "I'm going to have a Morris!" A Morris offers more for your money; more features; more roominess; more of everything that stimulates your pleasure in driving and your pride in ownership. And there's satisfaction in knowing that a Morris consistently returns a higher proportion of its price when eventually you decide to sell. Consider what every Morris has to offer: a lively O.H.V. engine for outstanding performance, sofa-wide seats, torsion-bar front wheel suspension, safety-glass all round, mono-construction body and chassis, superb styling and finish.

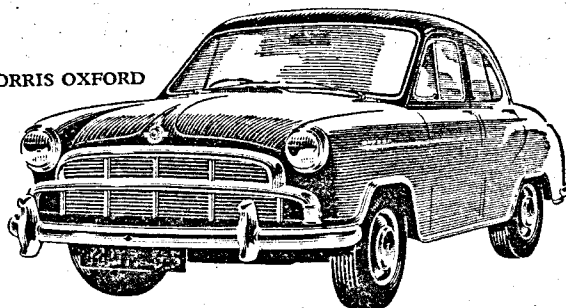
MORRIS ISIS



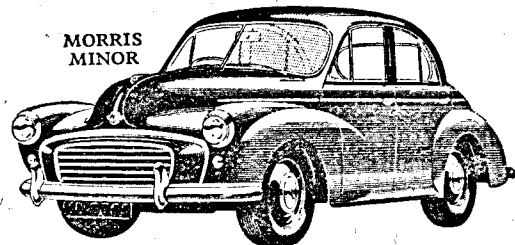
...we're going to have a "QUALITY FIRST"

MORRIS

MORRIS OXFORD



MORRIS MINOR



See also the COWLEY, ISIS TRAVELLER, OXFORD TRAVELLER, AND THE MINOR TRAVELLER.

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c. 2298 (55)

headway in Asian and African parts of the Commonwealth as well as in Australia and New Zealand. Last year Western Germany beat the United States for the first time for second place amongst the world's car exporters; this year it may come perilously close to Britain.

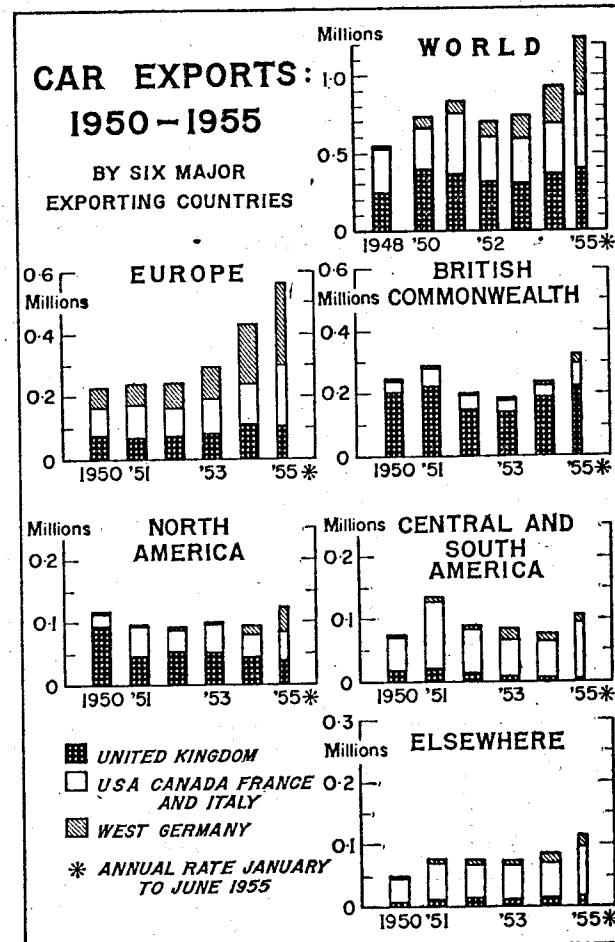
What of the longer look? Britain's export chances in the next five years or so—during which its expansion plans should be completed—will depend on how fast car sales throughout the world now grow, and what share the British industry can get. In the last decade the world car population has been growing much faster than before 1938. By 1960, if the present rate of expansion is maintained, the car population outside the United States and Russia should exceed 30 million; at the prewar rate of growth the number would be only 21 million.

But if car registrations outside Russia and the United States should run to between 25 million and 30 million by 1960, the level of sales needed each year to reach these figures may not greatly exceed the present figure of nearly 3 million. Most of the cars on the world's roads are relatively new, postwar models; and though the average life of cars may tend to shorten, it would be dangerous to count much on this—outside the United States. Moreover, the greatest expansion in sales may be expected in countries that already produce vehicles, and the tendency amongst developing countries to foster their own vehicle industries shows no sign of reversal.

Whatever the trend of world trade as a whole Britain will not inevitably benefit in competition with other producing countries. By 1960 the output of the four main European car producers may well exceed 3 million. Britain will still possess the lion's share of that—about 1½ million cars apart from commercial vehicles. But this productive power—and the cost advantage it should still give—will have to be matched by selling efforts. The extent to which the British motor industry has built overseas distribution organisations since the war is sometimes overlooked; but the main effort has perhaps gone into the United States and the Common-

CAR EXPORTS: 1950-1955

BY SIX MAJOR EXPORTING COUNTRIES



wealth. The best scope for that selling effort may be the more competitive markets—of which Europe will perhaps be the fiercest. And it is here as well as elsewhere that the most formidable competitor will be Western Germany.

The German Competitor

THE menace of potential American competition in world automobile markets seems at present to be diminishing. Even if dollars became as available everywhere as sterling is, the character of American motor cars, designed above all for the North American market, makes them unfit for the mass market elsewhere. The only customers for them in Europe are mainly the small number of wealthy motorists—a proportion of whom in most countries, even now, can find ways and means to come by them. In some areas where size and riding rough are important, as for example Africa, they remain more powerful as a general competitor: but petrol extravagance is against them, and European cars are beginning to offer similar riding qualities. French competition is likely to be of some importance—particularly that of Simca which, having absorbed the French Ford Company, is showing a vitality that justifies Ford in having surrendered its French interests for a minority holding in Simca. But there is no doubt that it is from the German factories that the most serious competition for Britain will come.

That competition has developed rapidly during a period of German recovery that is now over—the period when labour was abundant and therefore cheap. German employers think they have already, in 1955, reached the fevered condition of full employment. That may seem exaggerated by British standards, but it may not be long before the German patient has a temperature as high as this country's was, say, in the middle of last year. With full employment the bargaining power of labour will be greater than it has been. How is that power likely to be used? Must it slow the German pace?

In Germany, trade unions are not as strong as in Britain, and the German worker is more strongly addicted to hard work than his British counterpart; it is more true to say of the average German than of the average Briton, as Dr Nordhoff said at the unveiling of the millionth Volkswagen, that man's chief desire is to escape from himself, and work gives that escape. On the other hand, the German, whether master or man, is more prone to insist on his rights, more unyielding in conflict, less ready for compromise, than we

are. Industrial strife could possibly become much more bitter in Germany than anything Britain has experienced recently.

If the German economy now develops in a way that leads to higher wage levels, even substantially higher wage levels, some British motor manufacturers hope that the British automobile industry will find German competition less severe. That may or may not be right. The prices of general engineering products, made singly or in modest batches, may certainly have to go up in rough proportion to wages. But the course of British motor car prices—and profits—over recent years shows to what a great degree, in mass production, increases of wages and material prices can be offset by improved manufacturing methods and other savings as volume increases. The increase of wages in Germany is not likely to lead to anything like a proportionate increase in motor car costs.

On the other hand, a rising standard of living could lead to a large extension of the potential home market for the German manufacturer. At present the British manufacturer can take comfort from the fact that the home market here is, and seems likely to continue to be, much bigger than in Germany. The penetration of UK sales of cars into the working class market has begun and seems

likely to continue with increasing momentum. In Germany the process has not really begun. The British manufacturer, with a much bigger home market and a partially protected Commonwealth market, is assured of a bigger throughput than his German competitor. American experience shows that the way to low automobile manufacturing costs lies on the path of increasing volume, not of lower wage levels. A generally higher wage level in Germany, indeed, may prove in the long run a factor making for lower prices of automobiles and mass-produced articles.

One particular factor may affect the German home market for automobiles. The Government exempt motorised cycles of less than 25 cc from tax, from licence formalities and compulsory insurance. This has led to high production of such vehicles—a total figure has been mentioned of more than 3,000 a day—to satisfy the desire for personal mobility on the part of the working classes. It might postpone the development of a mass market for cars, though eventually it could make that development both more certain and, when it comes, more universal.

Until recent months, a very high proportion of passenger cars sold in Germany have been sold to business users, for tax reasons similar to those with which Britain is familiar. This has misled observers in Germany, as a few years ago

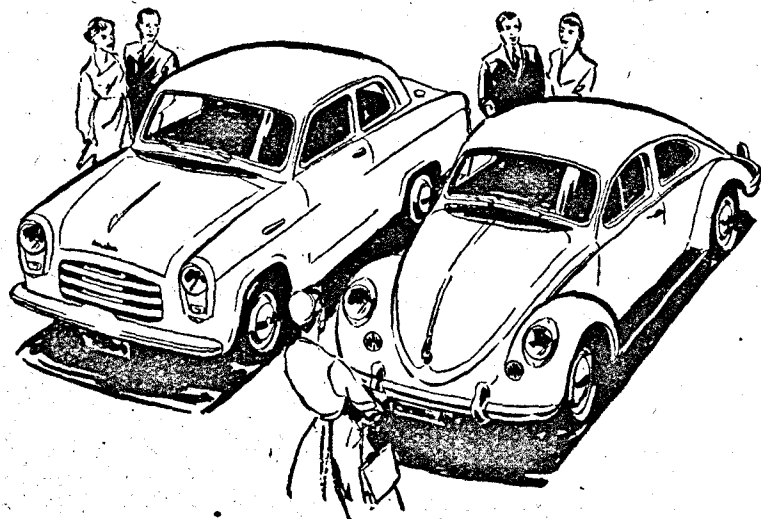
Volkswagen versus Anglia

Two cars that exemplify the sharpness of British and German competition are the Ford Anglia and the Volkswagen, which it might be fair to call the two leading contenders for the world's markets in a price class somewhat above the minimum. Both cars are full of character and have a high performance, but they represent entirely different approaches to the international motorist.

The Volkswagen quite misses the target at which it was aimed. It was intended to be a car of the minimum possible production cost, which would bring the joys of motoring to the German working class. Its designer, Dr Porsche, was one of the most brilliant and versatile engineers in the history of the industry, with a mastery of every aspect of design except two—styling and production cost. In looks, therefore, the Volkswagen is sadly deficient, having a failing common in prewar Germany, in that most of its lines and curves are much too near to being circles. As a production job, while it reaps the harvest of technical economy, using material with great frugality and achieving great savings in space and weight, expensive light alloys are used, and expensive machining

operations called for, to an extent that a Detroit engineer would call lavish. But these defects do not deprive it of the title of a masterpiece.

The Ford Anglia, on the other hand, is a superlative example of the conventional solution by an Anglo-American team of the problem of a car to offer roughly the same capabilities and capaci-

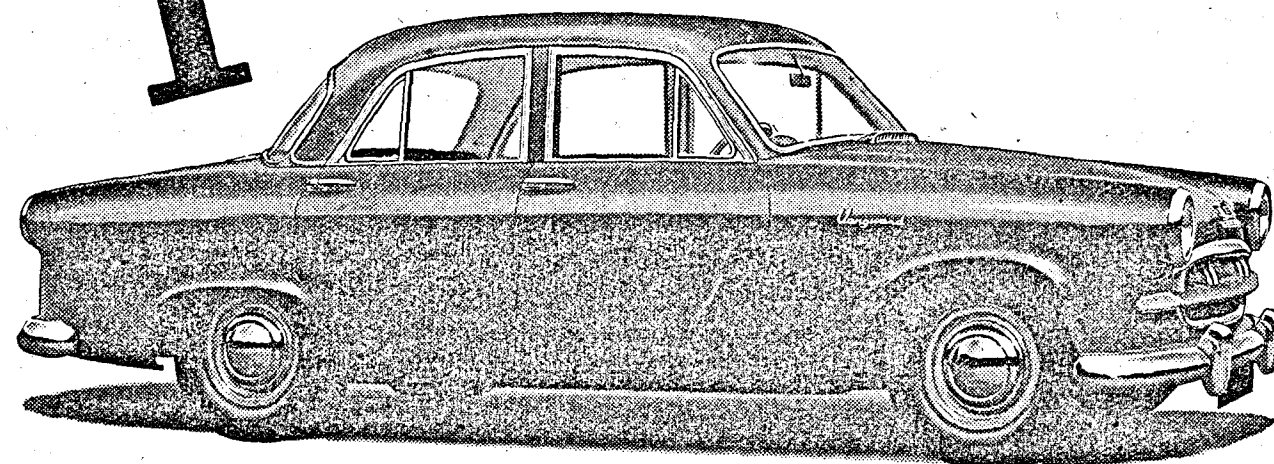


ties. The Anglia has about the same passenger accommodation as the Volkswagen; decidedly more luggage accommodation; a more refined and silent performance; better looks by current standards of taste; and almost certainly a lower "natural" production cost. While it is likely to be found by most users a pleasanter car on the main roads,

on bad roads the Volkswagen will be much more at home. The Volkswagen will, in nearly all conditions, give rather better fuel economy—a saving of the order of 10 per cent. In the hands of the average driver, the Anglia will probably cost rather more to maintain. As time goes by, and development bears fruit, the difference will diminish, but the lightly stressed Volkswagen engine is always likely to enjoy a longer life between replacements—though a complete engine replacement on the Anglia is likely to cost quite a bit less than on the Volkswagen. In the hands of the exceptionally hard driver, or in especially arduous terrain, the Volkswagen will probably prove quite significantly more durable.

As a comparison of the figures in the tables on pages 12 and 13 will show, the acceleration times achieved by the Anglia and its top gear hill climbing performance are significantly better than the Volkswagen's. The latter, therefore, will call for a much freer use of the gear box; and the driver who shrinks from using his gear lever is apt to find the Volkswagen sluggish. On the other hand, this Ford car, like others, sticks to three gears; and the Volkswagen gear change is the pleasanter to use.

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—the NEW Standard Vanguard III

A petrol consumption test of the new Standard Vanguard III, controlled, observed and supervised by R.A.C. engineers from London to Edinburgh, and back, a distance of 794 miles and at an average overall speed of 37.5 m.p.h. showed that the car returned 34.52 miles to the gallon.

THE STANDARD MOTOR CO. LIMITED, COVENTRY, ENGLAND
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Current Cars Compared

Grateful acknowledgment is made to "The Motor" for the use in this table of technical performance data established in "The Motor's" authoritative road tests.

Model (in descending order of kerb weight)	Kerb Weight (cwt.)	Price (excluding P.T.)		Fuel Consumption		Maximum Speed		Max. Gradient in Top Gear	Acceleration		Engine			
		£	d. per lb.	Standard	The Motor Road Test	Level	1 in 20		Top Gear 10-30 m.p.h.	0-50 m.p.h. through Gears	No. of Cylinders	Valves	Bore	Stroke
Austin A.135 Princess Limousine...	42½	1,715	86.47	m.p.g. 20.8	m.p.g. 15.1	m.p.h. 79.1	m.p.h. 68	1 in 9.3	secs. 9.1	secs. 15.6	6	o.	mm 87.00	mm 111.00
Bentley...	38.1	3,295	185.32	21.1	15.5	101.7	91	9.2	...	9.6	6	I.o.e.	92.00	114.30
Rolls-Royce Silver Cloud...	37½	3,385	194.73	22.8	15.4	94.0	83	8.0	...	10.8	6	I.o.e.	92.00	114.30
Daimler 104 ¾-litre	36	1,885	112.20	...	...	...	...	...	...	...	6	o.	82.55	107.95
Humber Super Snipe	36	1,095	65.18	23.0	15.5	91.0	75	9.3	9.2	11.8	6	o.	88.90	111.10
Mercedes-Benz 300...	35.4	22,000 DM	113.24	24.3	16.2	100.9	87	11.1	11.2	10.4	6	o.	85.00	89.00
Jaguar Mark VII M (with O/D)...	34½	1,185	73.07	25.7	18.8	104.3	91	9.7	6.9	9.8	6	o.	83.00	106.00
Armstrong Siddeley Sapphire (auto-matic transmission)	33	1,404	91.17	24.2	16.8	95.9	78	...	3.7	11.4	6	o.	90.00	90.00
Plymouth V8 Belvedere 4-dr. sal.	31½	\$1,902	46.21	24.0	15.1	99.6	87	10.4	6.7	9.4	8	o.	90.50	82.55
Riley Pathfinder	30½	875	61.48	27.7	19.5	99.5	80	10.4	10.5	11.7	6	o.	80.50	120.00
Wolseley 6/90	29½	750	54.95	30.3	21.6	96.0	80	8.9	9.2	12.5	6	o.	79.38	88.90
Rover 75	28½	915	68.80	31.5	23.8	85.5	66	11.2	11.2	15.6	6	I.o.e.	73.00	88.90
Humber Hawk Mark VI	28	715	54.72	31.3	22.2	80.0	64	9.1	8.9	15.3	4	o.	81.00	110.00
Sunbeam Mark III	27½	835	64.48	38.8	22.1	93.6	75	9.0	10.3	12.4	6	o.	81.00	110.00
Citroen Six (hydropneumatic)	27½	785,450 fr.	63.03	24.8	18.0	83.5	70	9.3	9.7	13.0	6	o.	78.00	100.00
Renault Frégate	26½	743,500 fr.	61.80	36.0	22.5	81.1	67	12.4	14.6	15.1	6	o.	85.00	88.00
Mercedes-Benz 220a	26	12,500 DM	87.60	30.6	21.0	94.5	80	9.2	10.1	11.7	6	o.	80.00	72.80
Armstrong-Siddeley Sapphire Model 234	26	1,510	87.77	...	...	...	...	...	...	...	4	o.	70.00	100.00
Austin A.90 Westminster de Luxe	25½	558	46.89	31.0	20.2	85.7	70	9.2	10.1	12.5	6	o.	79.40	89.00
Jaguar 2.4-litre	25	895	76.71	...	...	...	...	...	...	...	6	o.	83.00	76.50
Fiat 1400 Diesel	25	1,493,500 lire	73.16	47.3	33.9	63.8	44	16.0	18.8	27.4	4	o.	82.00	90.00
Aston Martin DB 2.4	24½	2,050	177.49	32.8	23.0	118.5	105	7.4	8.0	8.2	6	o.	83.00	96.00
Standard Vanguard III	23	599	51.34	...	...	...	...	...	...	...	4	o.	85.00	92.00
Ford Zephyr	22½	532	50.11	24.0	23.7	79.8	69	8.2	7.5	14.0	6	o.	79.40	76.20
Alfa Romeo 1900	22.6	2,295,000 lire	...	34.0	22.8	102.8	95	11.2	...	12.8	6	o.	82.50	89.00
Vauxhall Velox (high comp.)	22½	560	53.33	35.0	25.0	82.0	69	7.9	8.3	13.6	6	o.	79.40	76.20
Fiat 1400 Petrol	22½	1,303,000 lire	71.72	31.3	24.2	74.4	48	17.8	24.0	22.0	4	o.	82.00	66.00
Lancia Aurelia	22½	2,293,000 lire	126.21	28.8	27.0	86.0	63	13.5	16.2	17.2	4	o.	70.00	76.00
Citroen DS 19 2-litre	22	(£1,404)	...	...	...	...	...	...	...	...	4	o.	78.00	100.00
Wolseley 4/44	22	595	57.95	36.5	27.6	72.9	55	13.1	13.4	19.5	4	o.	66.50	90.00
Ford Consul	21½	470	46.31	35.3	26.0	71.8	58	11.1	12.0	17.4	4	o.	79.40	76.20
Morris Oxford Series II	21½	525	52.33	38.0	28.2	74.2	61	10.6	11.5	18.5	6	o.	73.00	89.00
Vauxhall Wyvern (high comp.)	21½	510	50.83	39.8	28.0	71.4	53	10.8	12.0	21.9	6	o.	79.37	76.20
Morris Cowley	21	495	50.51	41.3	28.0	71.9	54	11.4	11.9	19.8	4	o.	65.48	89.00
Austin A.50 Cambridge de Luxe	20½	478	49.97	38.5	28.0	73.6	58	9.5	10.9	18.2	4	o.	73.00	89.00
Borgward Isabella	19½	6,615 DM	61.03	...	32.0	77.2	...	12.4	14.3	14.8	4	o.	75.00	84.00
Holden	19½	£A870	75.52	36.1	31.6	80.21	...	...	8.7	12.3	6	o.	76.20	79.40
Hillman Minx Mark VIII de Luxe	19½	495	53.71	38.5	29.5	73.8	57	12.4	13.9	17.3	4	o.	76.20	76.20
Simca Aronde	18½	585,000 fr.	68.25	40.0	30.7	73.5	58	12.5	14.9	18.4	4	o.	72.00	75.00
Austin-Healey	18½	750	86.87	36.7	22.5	106.0	90	6.9	6.6	8.5	4	o.	87.30	111.10
Triumph TR3 (with overdrive)	18½	650	75.29	51.8	34.5	107.3	94	8.0	8.6	8.2	4	o.	83.00	92.00
M.G. MGA Sports	18½	595	69.86	43.0	26.7	97.8	80	11.1	11.0	10.8	4	o.	73.03	88.90
Hillman Husky	18	415	49.40	40.2	33.4	65.0	46	13.5	12.7	24.3	4	s.	65.00	95.00
DKW Sonderklasse Coupé	17½	4,020 DM	...	43.5	33.8	75.2	56	13.9	19.1	17.3	3	2 st'ke	71.00	76.00
Lancia Appia Saloon	17	1,328,600 lire	95.71	38.8	29.0	76.1	55	14.4	15.9	19.6	4	o.	68.00	75.00
Fiat 1100	17	923,000 lire	66.49	46.8	34.0	77.5	57	13.4	15.2	16.4	4	o.	68.00	75.00
Nash Metropolitan	17	\$1,330	59.87	38.3	30.5	73.2	57	10.9	12.3	18.4	4	o.	65.50	89.00
Morris Minor II	15½	373	50.75	51.3	39.3	62.3	44	14.9	15.9	28.6	4	o.	58.00	76.00
Ford Prefect (Prototype)	15½	395	53.74	...	...	...	...	...	...	...	...	...	...	...
Ford Anglia	15½	360	50.59	39.5	30.3	70.2	51	11.4	13.2	18.5	4	s.	63.50	92.50
Standard Ten	15	409	60.71	46.2	34.4	69.0	51	13.2	15.0	22.2	4	o.	63.00	76.00
Ford Popular	14½	275	40.64	41.3	36.4	60.3	50	10.6	11.8	24.1	4	o.	63.50	92.50
Volkswagen de Luxe	14	4,600 DM	59.87	45.0	34.5	66.1	47	14.9	20.3	20.5	4	o.	77.00	64.00
Dyna Panhard 54	14	659,000 fr.	101.10	52.3	40.7	75.7	35	19.5	...	17.2	2	o.	85.00	75.00
Austin A.30 2-door	14	335	51.28	51.5	43.5	64.7	51	12.4	15.7	24.5	4	o.	58.00	76.00
Standard Eight	13½	359	59.12	46.2	43.0	61.3	48	14.9	15.7	26.5	4	o.	58.00	76.00
Renault 4 c.v.	11½	395,000 fr.	73.51	53.3	47.7	62.1	47	11.7	12.7	24.2	4	o.	54.50	80.00
Fiat 600	11½	592,400 lire	64.49	53.3	44.7	58.3	42	19.5	23.0	32.5	4	o.	60.00	56.00
Citroen 2 c.v.	10	362,400 fr.	79.25	73.7*	54.7	40.9	28	21.5	28.9	42.4†	2	o.	62.00	62.00

* Mean of 20, 30, and 25 mph.

† Mean of 30, 40, and 50 mph.

‡ 0-40 mph.

Power, Price and Performance

	Engine						Dimensions					Length		
	Bore/Stroke	Cubic Capacity	Cwts. per litre	BHP	At Revs. per min.	Comp. Ratio	Panel to Rear Squab	Width Front Seat	Front Seat to Roof	Width Rear Seat	Rear Seat to Roof	Wheelbase	Overall	
1	0.78	3,995	10.6	...	...	6.80	ins. 94	ins. 54	ins. 38	ins. 56½	ins. 37	11' 0"	17' 1"	Austin A.135 Princess Limousine
2	0.80	4,566	8.3	...	...	6.75	72	50½	35	56	35	10' 0"	16' 8"	Bentley
3	0.80	4,566	8.2	...	...	6.75	74	50½	33½	56	35	10' 0"	16' 8"	Rolls-Royce Silver Cloud
4	0.76	3,468	10.4	137	4,400	7.6	...	...	...	...	...	9' 6"	16' 3½"	Daimler 104 3½-litre
5	0.80	4,139	8.7	113	3,400	7.13	68	56	37	57	33	9' 7½"	16' 5"	Humber Super Snipe
6	0.96	2,996	11.8	115	4,600	6.40	77	54½	35	60½	39½	10' 0"	16' 2½"	Mercedes-Benz 300
7	0.78	3,442	10.1	190	5,500	8.00	73	49½	42	58½	38	10' 0"	16' 4½"	Jaguar Mark VII M (with O/D)
8	1.00	3,435	9.6	125	4,700	7.00	69	56½	40	57	37	9' 6"	16' 1"	Armstrong Siddeley Sapphire (auto-
9	1.10	4,260	7.4	167	4,400	7.60	74	62	38	61	36	9' 7"	16' 8"	matic transmission)
10	0.67	2,443	12.5	110	4,500	7.25	66½	55	39	57	37	9' 5½"	15' 3"	Plymouth V8 Belvedere 4-dr. sal.
11	0.89	2,639	11.1	95	4,500	7.30	70½	56½	39½	57	36	9' 5½"	15' 8"	Riley Pathfinder
12	0.82	2,230	12.8	80	4,500	6.95	72	53	36	53	35	9' 3"	14' 10½"	Wolseley 6/90
13	0.74	2,267	12.4	70	4,000	7.00	74	53	39	56	36	8' 9½"	15' 1½"	Rover 75 (short stroke)
14	0.74	2,267	12.2	77	4,100	7.42	63	50½	40	52	34	8' 1½"	14' 0½"	Humber Hawk Mark VI
15	0.78	2,866	9.5	76	3,800	6.50	76½	53	39½	55	37	10' 1½"	15' 11"	Sunbeam Mark III
16	0.97	1,997	13.1	62	3,800	7.00	70	58½	40	59	37½	9' 2½"	15' 5"	Citroen Six (hydropneumatic)
17	1.10	2,195	11.8	92	4,800	7.60	71	57	39	57	36	9' 3"	15' 6"	Renault Frégate
18	0.70	2,290	11.4	120	5,000	7.50	...	...	...	...	...	9' 3"	15' 0"	Mercedes-Benz 220a
19	0.89	2,639	9.7	85	4,000	7.30	66	55	40	54½	37	8' 7½"	14' 2½"	Armstrong-Siddeley Sapphire
20	1.08	2,483	10.1	112	5,720	8.00	...	...	...	...	...	8' 11½"	15' 0½"	Model 234
21	0.91	1,901	13.2	40	3,200	20.00	67	54	36	55	34	8' 8"	13' 11"	Austin A.90 Westminster de Luxe
22	0.86	2,922	8.5	140	5,000	8.20	56	55	34	41	34	8' 3"	14' 11"	Jaguar 2.4-litre
23	0.92	2,088	12.0	68	4,200	7.50	...	50	36	51	35	8' 6"	14' 4"	Fiat 1400 Diesel
24	1.04	2,262	10.1	68	4,000	6.80	70	51	35	50	36	8' 8"	14' 3½"	Aston Martin DB 2.4
25	0.93	1,884	12.0	93	5,400	7.50	63½	57	38	52	36	8' 8"	14' 6"	Standard Vanguard III
26	1.04	2,262	9.9	67.5	4,400	7.60	69	53½	36	55	37	8' 7"	14' 4½"	Ford Zephyr
27	1.24	1,395	15.9	44	4,400	6.70	67	54	38	55	34	8' 8"	13' 11"	Alfa Romeo 1900
28	0.92	1,754	12.7	55	4,000	6.85	71	51	35	53	34	9' 4½"	14' 6"	Vauxhall Velox (high comp.)
29	0.78	1,911	11.6	75	4,500	7.50	...	...	...	...	...	10' 3"	15' 9"	Fiat 1400 Petrol
30	0.74	1,250	17.6	46	4,800	7.30	66	50	36	51	34	8' 6"	14' 5"	Lancia Aurelia
31	1.04	1,508	14.4	47	4,400	6.80	72	51	35	50	36	8' 4"	13' 8½"	Citroen DS 19 2-litre
32	0.82	1,489	14.4	50	4,800	7.43	76	55	35	56	38	8' 1"	14' 2½"	Wolseley 4/44
33	1.04	1,507	14.3	47.7	4,000	7.30	71	55	38	56	36	8' 7"	14' 2½"	Ford Consul
34	0.74	1,200	17.5	42	4,500	7.20	76	55	36	56	38	8' 1"	14' 1½"	Morris Oxford Series II
35	0.82	1,489	13.8	50	4,400	7.20	68	52	39	52	36	8' 3½"	13' 6½"	Vauxhall Wyvern (high comp.)
36	0.89	1,493	13.2	60	4,500	6.80	...	53	39	59	33	8' 6½"	14' 4"	Morris Cowley
37	0.96	2,170	9.1	60	3,800	...	...	54	...	43	...	8' 7½"	14' 4"	Austin A.50 Cambridge de Luxe
38	1.00	1,390	14.2	43.0	4,400	7.00	69	45	38	49½	36	7' 9"	13' 3½"	Borgward Isabella
39	0.96	1,221	15.4	44.5	4,500	6.75	63	51	36½	52	34	8' 0"	13' 4"	Holden
40	0.79	2,660	7.0	90	4,000	7.50	...	59½	33	...	...	7' 6"	12' 7½"	Hillman Minx Mark VIII de Luxe
41	0.90	1,991	9.3	90	4,800	8.50	...	42	33	...	...	7' 4"	12' 7"	Simca Aronde
42	0.82	1,489	12.3	68	5,500	8.15	32½	48	37½	...	...	7' 10"	13' 0"	Austin-Healey
43	0.68	1,265	14.2	35	4,100	6.63	59	49½	39	52	35	7' 0"	12' 4"	Triumph TR3 (with overdrive)
44	0.93	896	19.3	34	4,000	6.50	62	48½	31	41	32	7' 8"	13' 0"	M.G. MGA Sports
45	0.91	1,090	15.6	38	4,800	7.40	65	48	37	47	35	8' 1½"	12' 8½"	Hillman Husky
46	0.91	1,089	15.6	35.5	4,400	6.70	67½	47½	36½	49	34½	7' 8"	12' 4½"	DKW Sonderklasse Coupé
47	0.74	1,200	14.2	42	4,500	7.20	55	48½	35	34	28	7' 1"	12' 5½"	Lancia Appia Saloon
48	0.76	803	19.6	30	4,800	7.20	58	48	36	47½	35	7' 2"	12' 4½"	Fiat 1100
49	...	...	...	...	...	...	...	...	...	...	...	...	...	Nash Metropolitan
50	0.69	1,172	13.0	36	4,400	7.00	64	49	40	47	36	7' 3"	12' 7½"	Morris Minor II
51	0.83	948	15.8	33	4,500	7.00	59	49	38	48	35	7' 0"	12' 1"	Ford Prefect (Prototype)
52	0.69	1,172	12.4	31	4,000	6.16	64	40	37	48	37	7' 6"	12' 7½"	Ford Anglia
53	1.20	1,192	11.7	30	3,400	6.10	55	47	38	52	35	7' 10½"	13' 4½"	Standard Ten
54	1.13	850	16.5	42	5,300	7.20	70	51½	37	48½	33½	8' 5½"	15' 0"	Ford Popular
55	0.76	803	17.4	28	4,800	7.20	57½	50	37	47	35	6' 7"	11' 4½"	Volkswagen de Luxe
56	0.76	803	16.7	26	4,500	7.25	59	48	38	47	35	7' 0"	11' 10½"	Dyna Panhard 54
57	0.68	747	15.7	21	4,100	7.25	62	45	39	46	36	6' 10½"	11' 11"	Austin A.30 2-door
58	1.07	633	17.8	21.5	4,600	7.00	60	47½	38	47	35	6' 6½"	10' 6½"	Standard Eight
59	1.00	375	26.7	9	3,500	...	60	46	35	49	32	7' 9½"	12' 5"	Renault 4 c.v.
														Fiat 600
														Citroen 2 c.v.

observers in this country were misled, into underrating the prospects of sales to private users. But the recent reduction in the annual registration tax on motor cars led to a sharp and immediate increase in the proportion of new cars sold to private persons as distinct from business users—an increase quite out of proportion to the reduction in the tax.

An outstanding impression of the German scene is the high proportion of Mercedes cars on the road and, among them, the high proportion which are diesel-engined; many of these, on inquiry, seem to be a charge on business. The fuel economy of the diesel is offset by a very considerable sacrifice in acceleration; and while this makes little difference in journey times on the autobahnen, it delays the traveller on the ordinary roads substantially. The ordinary German roads, on which of course the mileage run must be much greater than on the autobahnen, are no more suitable for modern traffic than those of this country. They are no straighter; carriageways wide enough for more than two lanes of traffic are rarer; and steep cambers more universal.

Such road conditions, incidentally, provide an invigorating discipline for the motor car manufacturer. The autobahnen invite the driver to keep his engine turning at peak revolutions for hours on end, yet the condition of lesser roads must be more testing than those of the United Kingdom to brakes, suspension and transmission. The German manufacturer must expect a proportion of his cars to suffer a more arduous life than can readily be inflicted in this country—which may well fit his products the better for overseas markets, as was suggested in the recent Australian trial. The success of the Volkswagen abroad, for example, is to be attributed quite as much to the quality, and above all of the durability and low maintenance costs of the car, as to its price. For German cars, including the Volkswagen, show less of the reductions in cost that should come with high output than those of Detroit and even of Longbridge or Dagenham.

In most respects the Volkswagen lends itself excellently to low cost production. Some features in its design, however, are costly, in the light of modern manufacturing methods. The machine tool and press equipment of the Wolfsburg plant is excellent of its sort, but there is comparatively little use of transfer plant and other ultra-automatic installations of engine plants in Europe and America, where the work piece, once installed in a jig, is passed through a group of machining operations at a fantastically low cost in man-hours of direct labour. For the most part, machining operations are grouped in such a way as to reduce the amount of material handling: that is to say, a milling machine will be placed at the point in the flow of a work piece where a milling operation is called for, rather than among other milling machines. Thus the scope for cost-saving in material handling is less than it would be if the functional rather than the divisional principle had been followed in the location of machine tools; but scope there still is for reduction of cost in material handling and in the combination of machining operations.

After VW, the most serious German competitor in the world market is General Motors' subsidiary, Opel, whose output is likely before long to reach 1,000 units a day in the medium-weight market. Opel is obtaining an increasing

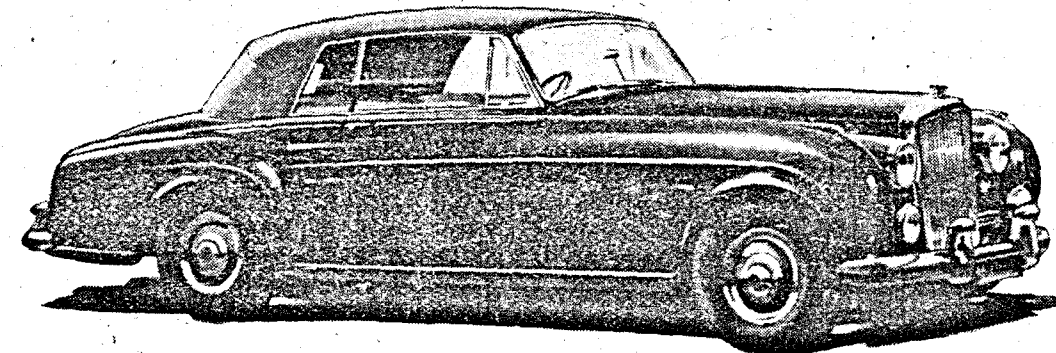
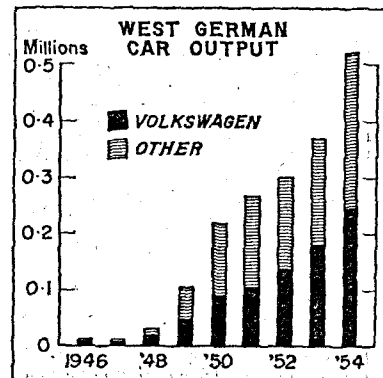
proportion of German home market sales, and is probably obtaining an increased share of the European market at the expense of British medium-weight cars.

A comparative newcomer whose competition may well become more formidable is the Borgward factory of Bremen, which produces on the one hand a car of extreme economy in the Lloyd, and on the other hand a medium-weight car of considerable attractions in the Isabella. The Lloyd has an engine of only 400 cc and very limited performance; it might be called the German counterpart of the Citroën 2 cc, except that the German product seems to disguise, as the French product seems to emphasise, that it is not as other cars are. The Isabella is a mare of different colour. It is as near to a full six seater as the leading English medium-weight models, but the kerb weight is nearly ten per cent less. Part of the weight saving comes from the use of only two doors, the disadvantages of which are minimised and the advantages enhanced, by thoughtful design. With its existing 1,500 cc engine, the Isabella's performance is higher than the British 1,500 cc cars and closely approaches that of the medium-weight cars with engines of 2,000 cc, or more; and it is understood that a model of higher performance will shortly be offered that will definitely outperform them.

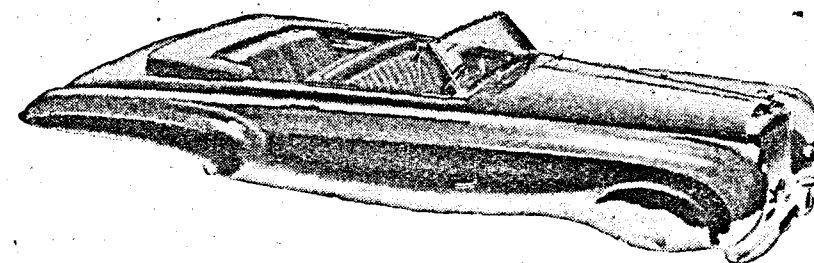
In the mass automobile markets of the world, then, German competition is serious. It will become more serious if the working-class market develops in Germany as it may yet. Paradoxically, the very success of the Volkswagen may set a limit to this development. If it proves that the biggest market of all, outside America, is for the car of 10-12½ cwt kerb weight—the type of vehicle of which the outstandingly successful example today is the Fiat 600—German competition may not count for so much. The Volkswagen cannot be produced as cheaply—other things being equal—as the smaller type,

since its weight is 20 per cent greater, and in fact, with its characteristic engine, even its cost in pence per lb must be a little higher. But there are no water-tight compartments of price and specification in any given motor car market; and it would be a very bold German factory which would dare to put into production, under the shadow as it were of the Volkswagen, such a car as the Fiat 600. The other German factories, therefore, have to seek a substantial home market by building a car either of accommodation, performance and price considerably in excess of that offered by the Volkswagen—of which the Isabella is an example—or else one which is well below the Volkswagen, such as the Lloyd.

The British manufacturer, therefore, should be fully able to hold his own in world car competition if the utmost skill in design is exercised and the most economical production methods developed—and if the home market is permitted to develop freely, so as to ensure the low production costs of which a high volume of production is the most essential ingredient. The chances are that a similar development of the German mass home market cannot come so rapidly. German competition is likely to be most severe in the range of cars from the Volkswagen upwards. If British designers were to produce a car in a lower weight class of a specification as good as and of as low a potential cost as the Fiat 600, their German counterparts, overshadowed by the success of the Volkswagen, would probably be ill-placed to produce an effective reply to it.



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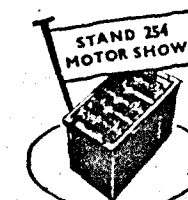
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Sports Cars Rebuild a Market

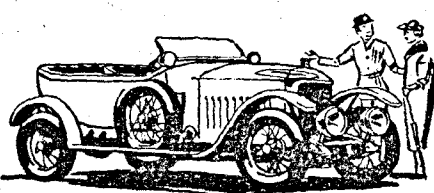
IT is not easy to find a stretch of road in Britain where one can both comfortably and safely maintain 90-100 miles an hour—but a car with such an extra turn of speed can comfortably and safely keep up high average speeds even on winding, narrow and congested roads. A high maximum speed is the emblem of such high performance—possessed by some roomy saloons, not only the fined-down two-seaters. But in practice it is much less important than the ability to accelerate rapidly from a traffic-crawl to high cruising speeds, of being able to stop quickly and safely when obstructed, and of going round corners and traffic roundabouts with far less instability and effort for the driver than their more staid counterparts. Business executives find that a brisk car saves them costly time on lengthy journeys along traffic-bound roads—and has, incidentally, some tax-free value in subtle advertisement.

Increasing traffic congestion has not, therefore, as some people feared, wiped out the demand for the faster car; this has indeed been increasing in the last few years. It gains some impetus, no doubt, from the emulation that has a good deal to do with all car ownership—it is very pleasant not only to be able to keep up with the Joneses, but to go a little faster than they can. Moreover, car snobbery in Britain is tinged with a national characteristic of making a sport out of every new activity—even, or particularly, getting from A to B. Since the war, there has been an astonishing increase in the interest taken in motor-racing and motor competitions generally—which can be gauged by huge attendances of spectators and the time devoted to race-commentaries by the BBC on TV and “steam radio”—has revived a considerable demand for true sports-cars in modern form. But the old ideal of a wholly specialised sports design has, particularly in the case of British manufacturers, changed to a policy of building such cars largely from suitably modified components of the standard car.

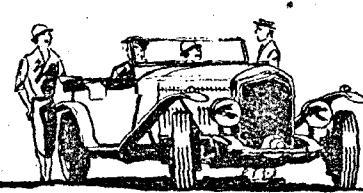
★

Reputable motoring historians have difficulty in agreeing about which was the original sports car. But there is not a shadow of doubt but that such cars were appreciated, and becoming established, well before the first world war. Some two years before the outbreak of hostilities the design of Grand Prix racing cars was offering a very high degree of automotive performance. Single and double overhead camshaft racing engines not exceeding 4½ litres in capacity were propelling the two-seater cars in which they were installed at well over 100 mph with commendable reliability. It was natural that from such motor-racing, at Brooklands and over the true road-circuits on the Continent, should spring a line of fast road cars for those who enjoyed driving.

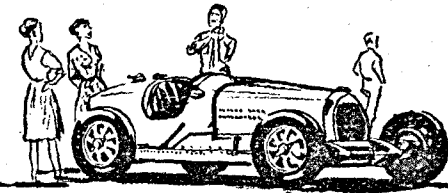
The Prince Henry Vauxhall



The Bentley 3-litre



The Bugatti Type 43 "Grand Sport"



The Prince Henry Trials of 1912 and 1913 produced such noble motor-cars as the big Benz, the Prince Henry Austro-Daimler, the Prince Henry Vauxhall and a lightened version of the well-established 40/50 hp Rolls-Royce Silver Ghost. From the desire of a wealthy Englishman to set a new course record at the annual Shelsley Walsh hill climb in Worcestershire was born the first 30/98 Vauxhall, an early British sports car that has since achieved motoring immortality. These fine cars, at a time when, although labour charges (for maintenance) and petrol were cheap, tyres were prohibitively expensive, remained playthings of the rich. But during the same period the “New Motoring” movement, which fostered simple and inexpensive motor vehicles, was enlarging its influence. In their turn, fast GN and Morgan cycle-cars, and sporting versions of the Singer and Calthorpe small cars, arrived to challenge Vauxhalls and Austro-Daimlers.

With the Armistice of 1918 the demand returned many fold and the war had taught the technicians valuable lessons. Light alloys could be used for engines, reducing the weight of static and moving parts; the cooling of exhaust valves and lubrication of plain bearings were better understood; the way was clear for more reliable faster cars.

By 1930 nearly every manufacturer offered some form of sports model, even if it were merely the normal tourer in brighter colours and with sweeping mudguards. From the Bentley, Sunbeam and Vauxhall cars costing £1,000 and more to the little French Amilcars, Salmsons and Senechals priced at under £300 and the MG Midget at £185, the discerning enthusiast had a wide choice. In the early thirties an impressive string of racing trophies and records was considered valuable to court sales. But the policy was an expensive one, and meant that only the costlier standard sports cars could offer a performance closely approaching that of their racing versions. Bentley profited for a time from a string of victories at Le Mans, and by 1931 the standard 8-litre Bentley would do 100 mph. But within a few years—of deep slump—Bentley was absorbed by Rolls-Royce, and later in the thirties another great racing maker, Sunbeam, also disappeared in independent form.

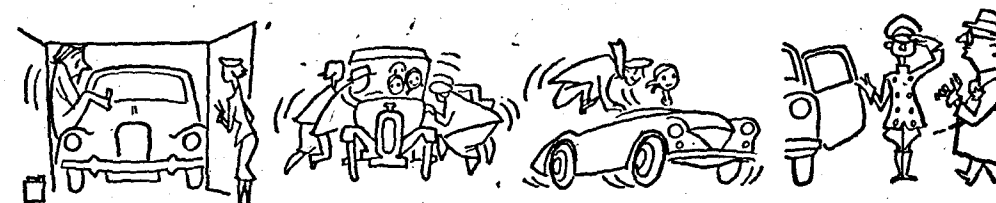
It took some time after the second world war for production of sports cars to be resumed on any considerable scale. MG began again with its well tried “T” series of Midgets while Singer and Morgan produced similar small sports models. Aston Martin and Lagonda came back in the higher brackets. But the main emphasis in design was towards standardisation of a range of cars that could offer fuel economy comparable with prewar models, combined with the slightly larger size and higher performance.

Postwar development in the sports car field was therefore left at first to specialist designers who frequently utilised standard engines and components in specially built bodies,

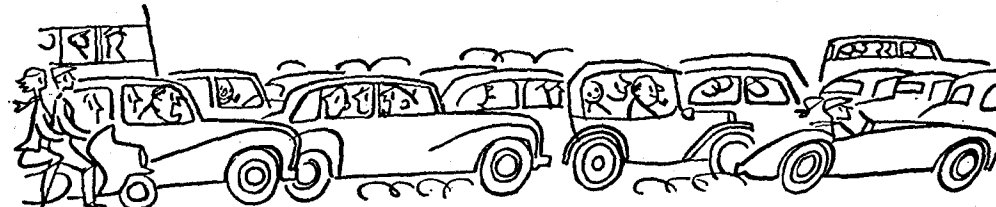
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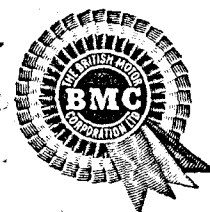


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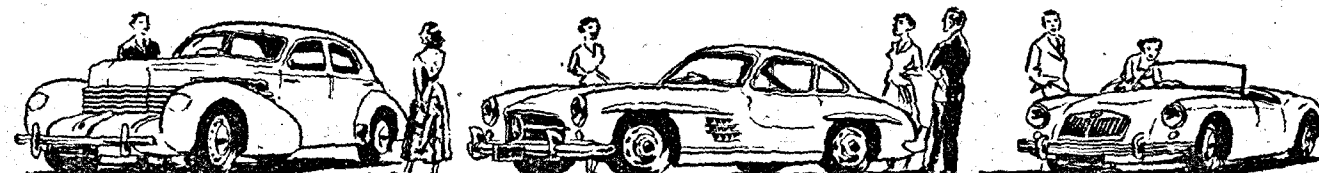


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to produce fast cars for enthusiasts—thus the Healey began with the Riley engine while the Allard used the Ford V8. Some of these sports cars, however, achieved a penetration of the American market that rather surprised the British manufacturers who were having greater difficulty with their standard cars in that dollar market. The MG also continued to sell in large numbers, especially on the West Coast, and when Jaguar brought out its sleek XK sports models these, too, achieved a reputation and sales comparable with those of its big Mark VII saloon. The American motorist has only lately taken to the sports car—though between the wars there were a few notable exceptions such as the Cord.

This not altogether expected overseas demand, and the growing interest of young people in Britain in motoring as a sport, has been reflected in the attention that some of the British industry's big five are now showing in high performance cars—but not all. Austin now produce the sports Austin-Healey, using the Austin A90 engine and gearbox and a smart 2-seater body by Jensen, and BMC also build the 100 mph Riley Pathfinder saloon and the sports MG. Standard have the very successful sports Triumph TR2, also assembled from near-standard components. Rootes make the Sunbeam Alpine roadster which has won high honour in the Alpine Rally. Ford and Vauxhall remain aloof, though Ford encourages the entry of its saloon cars in rallies.

These modern British sports cars are competitively priced—the Austin-Healey at £750, the Triumph TR2 at £625 and MG at £595 (basic)—and provide a road maximum in

the region of 100 mph or more with fuel consumptions in the order of 30 mpg. With engines of 1½ to 2½ litres they out-perform the 3-5 litre sports cars of twenty years ago. Jaguar has, since the war, sold great numbers of the XK sports model, which was the pioneer of modern, sleek, beautiful over-100 mph 2-seaters in this country.

Much of the design that gives modern sports cars this performance comes from the "envelope" body styling in which Italy has been a leader. Its own models are now mainly beautiful closed fast cars on chassis of advanced design, such as Alfa-Romeo, Lancia, Maserati and Ferrari, comparable with the Aston Martin and Bristol saloons in Britain's higher-priced range. Germany continues her pre-war bias towards big engines in the Mercedes-Benz range, with the 300 SL coupé representing an extreme in price and performance. At the other end of the scale she has the compact, streamlined air-cooled flat-four Porsche, which appeals to the American market and is as fast as most.

The current trend in sports car design is to woo performance from low air-drag and to use normal engine designs giving a high power output by employing the good anti-knock properties of modern fuels to the best possible advantage. While racing flourishes and roads become ever more congested the high-performance car, which can be almost as economical as a heavier utility vehicle, may well continue to be in large demand—and it remains a field in which British and other European manufacturers ought to be able to keep ahead of Detroit, where specialisation on cars for any thin slice of the market is generally just not worthwhile.

The Motorist's Choice

IN overseas car markets, it has been suggested in an earlier article, British manufacturers are meeting the ubiquitous Volkswagen with cars such as the Anglia. But in the British market, as any motorist here may remark, they have no need to: the Anglia is nearly £90 cheaper than the standard Volkswagen, while the *de luxe* version with hydraulic brakes and synchromesh that VW generally exports costs more than a Consul or an Austin A50, cars "one size larger." The little Fiat cannot compete with the Austin A30 or the Standard Eight; it has to bear price comparison with the Ford Prefect or the Standard Ten. Britain today has the second largest motor industry in the world—which still enjoys a snugly protected home market.

It is never easy to decide just how much the 33½ per cent *ad valorem* duty that has existed in this country for nearly 40 years (there was one relapse into freedom in 1924, but it lasted less than twelve months) puts on the price of any particular imported car. The "landed price" upon which this duty is charged is highly confidential. The tradition of all motor industries is to set a price that will suit an overseas market, and if necessary (which it usually is) to "sub-

sidise" exports by covering most of one's overheads at home. But purchase tax is charged on the wholesale price, which for foreign cars is taken after paying duty; and distributive margins on a foreign car are not usually low. A car manufactured in Britain at the price for which the Volkswagen standard model has probably to be landed might retail closer to the price of the Austin A30 than the Ford Prefect; broadly speaking, the British duty and the extra purchase tax that it attracts must add between a quarter and the full third to the retail price of most foreign cars in this country.

Oddly enough, as an infant industry the British motor manufacturing trade was denied this protection; it was accorded only when war had cut off a growing and seemingly healthy child ere his prime. Britain entered the car manufacturing field a little late, and imported freely in the early days. At the turn of the century it was the French industry that held the lead, and was far enough ahead to cause the United States to impose a duty on car imports; but Britain did not. Over the first decade of this century, however, imports of foreign cars fell appreciably, though

imports of parts remained high—W. R. Morris, it may be remembered, originally began to build the famous Cowley from parts made in the United States.

But the first world war almost extinguished car manufacture in Britain—at a time when the industry in the United States was just reaping the benefits of quantity production. The British industry, conscripted, was able to equip the fighting forces with thoroughly reliable vehicles. But private customers in Britain were obliged to turn to American cars. Henry Ford was mass-producing his famous Model T, a simple yet powerful car made of excellent materials, to sell at a most competitive price, and Chevrolet was not far behind. These low-priced American cars sold well, even after the McKenna duty of 33½ per cent was imposed on imported cars and motor cycles in 1915. Following the Armistice there was a car famine; with used car prices sky-high the extra cost imposed by the duty meant little. In 1919 one could get a Model T tourer for £250, a Chevrolet for £375, a Maxwell for £435; in comparison, the Bean 12 cost £450, the newly-introduced Austin 20 cost £495, and the Morris Cowley cost £315.

What the import duty alone could not curb a new taxation rating that came into force in 1921 did most effectively. From that time onwards, though the actual rate varied, cars were taxed at about £1 per (peculiarly calculated) horse power. The small British cars thus cost about £12 a year, whereas the three American tourers cited above were taxed at about twice that figure. Petrol prices were rising, and Morris had begun his bold campaign of slashing prices; these factors combined to kill off competition here from the cheaper of the thirsty American cars.

Spares for foreign cars also bore the McKenna duty, which raised maintenance costs. Ford had begun to assemble the Model T here in 1911, only two years after he began making it at Dearborn and long before the British duty was brought in; progressively the company reduced the number of items on which it had to pay duty, until the car became completely British made. In the early twenties Citroen started to assemble cars in England and later partly to manufacture them at Slough, as it does to this day. And later the Imperial preference system—which brings the duty on an imported car down to 22 4/9ths per cent—induced a number of American manufacturers to set up factories in Canada, to export more easily to Britain and the Empire.

But by the middle twenties British cars had ousted the bulk of imported cars from their home market. Imports had been reduced mainly to specialised sports cars appealing to the wealthy individualist, plus American saloons in the middle price brackets that provided the spaciousness and aura of affluence of expensive British cars for a far lower outlay—without the finish or the longevity.

It was only in the mid-thirties that the foreign car of moderate price began to attract the more venturesome British motorist by reason of technical innovations that British designers did not offer. Citroen, for example, introduced in 1934 a revolutionary one-piece, all-steel saloon with a wet-liner four-cylinder engine, first of 12 and later of

15 hp, driving the front wheels. A few years later Fiat entered the preserve of British baby cars—made at the time by Austin, Standard, Morris, Swift and Triumph, etc.—with the 570 cc "Mouse," which achieved good passenger space by reason of a forward-mounted engine with the radiator behind it and, moreover, possessed independent front suspension and hydraulic brakes. The Lancia Aprilia, a small 11 hp saloon with independent suspension on all four wheels could achieve over 80 mph and 30 mpg as a matter of everyday motoring.

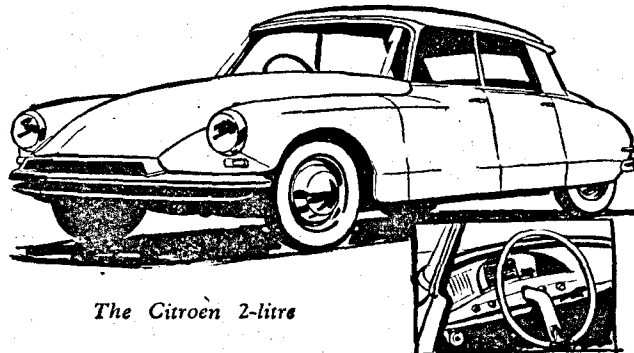
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In comparison, British design remained conservative. The high horse power tax bred small-bore high-revving engines calling for frequent gear-changing to maintain power. These were of limited appeal in most overseas markets, where big cheap American cars with plenty of power at low speed and a fine top-gear performance, plus high clearance and more robust construction, held sway. This was incidental in both cases. The car that suited the United States then happened to suit most of the world; the car that suited Britain did not; but neither was particularly concerned with what the world wanted.

Since the war that balance has shifted radically. Export has been made the primary concern of the British motor industry; British requirements, at least in theory, a secondary consideration in design. At the same time, the American car, becoming bigger, lower, and softer sprung, in the last stronghold of cheap petrol, has left far behind what the rest of the

world can afford. Britain's horse power tax has been replaced by a flat rate that has freed its designers as to engine size; and though a high petrol tax still demands emphasis on economy, that is a fact of life for most of the world's motoring. British makers have turned to integral steel body-frame construction and developed highly efficient "square" and "over-square" engines. For the most part these technical advances have gone into refining and producing at ever lower cost cars slightly larger but not radically different from those they made between the wars.

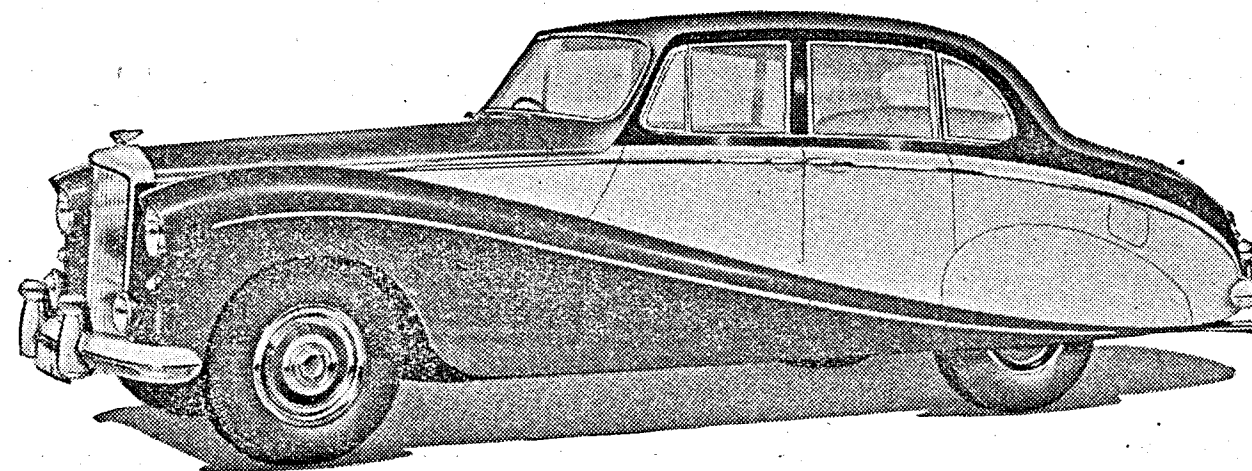
Continental design since the war has veered the other way. Among European cars it is becoming rare to find a normal rigid back axle; rear engines are common and air cooling finds favour; and some Continental makers have successfully produced cars of smaller size and power than British. Some of these cars are attractive enough to sell in Britain even across the high tariff hurdle. The Volkswagen has a small but solid band of enthusiasts; Fiat's Topolino always had a following here, which the 600 should inherit; and the Renault 750, another rear-engined small car offering better fuel economy than any British car, plus four-wheel independent suspension, is fairly familiar on British roads. The new Citroen DS19, though it will cost some £1,400 here against less than £1,000 in France, pays less duty than cars made wholly abroad, and appears remarkable enough to attract many discerning motorists at the higher price. At higher prices, again, the 600 American



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cars a year that since 1954 have been allowed in as commercial imports, still find buyers. A Chevrolet is a different kind of car from an Armstrong Siddeley Sapphire, but still has its own attractions at the same price; and even in Britain there are people who would prefer to buy two Cadillacs for the price of one Rolls-Royce.

It is in the medium range—the saloons of about 1½ to 2 litres, of which the British models sell, with purchase tax, in the price range from about £600 to £900—that the duty today effectively blankets much foreign competition. The major British manufacturers fill that range with a smooth succession of ever-improving conventional cars; they are excellent value for the money because for several years effort has been concentrated into cutting costs and providing better standards at unchanged prices. But those cars are also founded upon a conviction that the British motorist likes one particular kind of car and no other—and that the foreign motorist, providing his idiosyncrasies are looked after, likes very much the same kind of car. Part of that questionable conviction is being argued out in the world export markets; but the British customer who must always be a preponderant factor in British car design has not the free choice that some customers overseas possess.

The European cars that would, but for the tariff, be offered in that middle range—the Dyna Panhard, the Fiat 1100, the Peugeot 203 and 403, the DKW Sonderklasse, the Borgward Isabella and the Simca Aronde—often depart

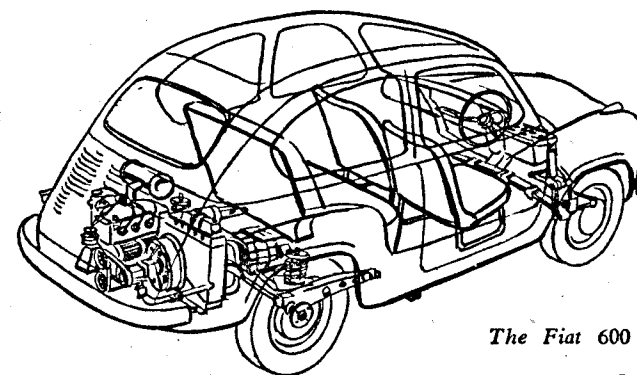
Minimum Motoring

THE design of a car to carry four persons with the minimum dimensions, weight and cost is perhaps the most difficult problem in vehicle engineering. Britain, since the war, has hardly attempted single-mindedly to achieve it; its cheapest car, the Popular, is a residue of prewar design, while both the Austin A30 and Standard 8 have been aimed a little this side of austerity.

In Europe, the designers have been prepared to wring the utmost out of every centimetre of dimension, and to pare away every ounce of weight. The designer of the 4 cv Renault showed that fifteen years of progress made possible a considerable advance in such economies. The designer of the Fiat 600 has seen another decade's worth of distance run, and in assessing it the Renault is an admirable touchstone.

The Fiat takes a flying start with wheels of 3 inches smaller diameter. With an engine of lower torque and a wheel radius less by 1½ in, a smaller crown wheel is permissible, and a net half inch of ground clearance is sacrificed. The passenger seats are slightly more raked, and an inch of head room given up without falling below the standard accepted, for example, in the Rover body. With the two shafts of the

gearbox at closer centres, 5 inches are saved in the overall height of the body. The top cover of the slightly shallower gearbox is only 15½ inches above ground, and the greater length necessary for a four-speed box (against the Renault's three speed), and a hand transmission brake ahead of it, can thus be found beneath the seats of the rear passengers. The wheel-base is nearly 4 in shorter;



The Fiat 600

a slightly greater turning circle (28 ft against 26½ ft) permits a less sharp steering lock, so that—with 1½ in saved on the wheel radius—the track of the front wheels is reduced by 3 in without the wheel boxes encroaching on the space for the passenger's legs.

Using only two doors—against the Renault's four doors—the second window can be carried back behind the

in many features from the British designer's idea of what an everyday car should be. They are not, incidentally, cars that attract everyone who has a free choice; Britain's standards of interior comfort and finish, in particular, are often preferred. Britain's own cars, moreover, are successfully passing tariff barriers in many countries in the world. And the countries that make these competitive foreign exports have their own tariff barriers—30 per cent in France (with quota restrictions, too), 22 to 30 per cent in Germany, and 39.49 per cent in Italy; the United States charges only 10 per cent.

This is not the place to argue for free trade in cars—which in any case would be paying for the moon; and it does not seem likely today that even free trade would ever generate any very large trade in "taking in one another's washing" between countries where cars are manufactured. But in a survey recording the growth and strength of the British motor industry, and suggesting that any restraint upon the home sales of its main, unchallengeable companies would harm the country's industrial and exporting efficiency, it is fair to suggest that motor car duties are a suitable subject for tariff liberalisation when next that comes on the agenda. The technical leavening that might come from giving the British motorist a freer choice of those "eccentric" designs from the Continent is probably overdue and would at least be instructive; this could be the cheapest way to get it.

centre of the rear wheels; the Renault's second windows finish several inches ahead of the wheel centres. Thus the side lights of the Fiat, 12½ in deep, have a total area nearly 30 per cent greater than those of the Renault (involving, of course, a little extra weight and cost); and the Fiat can give effective ventilation with sliding windows in the door.

With a wheel-base almost 4 in less, the overall length of the Fiat is 16½ in less than the Renault. An overhang six inches shorter in front, plus the petrol tank under the bonnet, reduces the luggage accommodation. But compensation is given by nearly 3 cubic feet of space inside the body behind the rear seats. This is made available by mounting the radiator and fan to the side of the engine; in the Renault, the radiator and fan preclude any use of this space.

Overall, as a vehicle and as an example of brilliant body engineering, the Fiat deserves high praise. The power plant, however, might be improved. The cylinder dimensions are "oversquare" 60 mm bore by 56 mm stroke, giving 633 cc capacity, more modern than the Renault's. The smaller engine gives the same power, 21 bhp, at 4,600 rpm against the Renault's 4,100 rpm. In the outcome, the Fiat engine's power at low speed seems much lower than the Renault's, and the fuel consumption does not show the advantage that the smaller vehicle weight should secure.

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What Follows Equality?

IT is not surprising if Swedes sometimes feel ruefully that the world pays them less attention than they deserve. In a century when both good and evil are done on the grand scale, the limelight does not linger on a small country whose virtues are unspectacular ones: good order, a tidy social scene and a quietly persistent prosperity. And in the clash between the colossi of East and West it is tempting (though wrong) to think of the neutral Baltic as an uneventful and unimportant backwater of international affairs. This is the age of the ordinary man, but of extraordinary nations; and Sweden's ambitions are all of a modest and prosaic kind.

Occasionally it seems as if the Swedes get into the world's headlines only by their peccadilloes. One of the quirks of an otherwise formal and self-restrained race is a reputation for drinking too deeply when it has the chance; and the abolition of alcohol rationing on October 1st, ninety years after the first controls began in Gothenburg, has stimulated curiosity among foreigners anxious to see whether the fall of 1955 would find Swedes as tipsy as the French are supposed to be. This year has also yielded its quota of articles in American and British papers on morals and neuroses in Sweden, most of which have carried a heavy load of sensationalism on a fairly slender foundation of facts. Yet there are several much better and more

important reasons why Sweden deserves a close and sympathetic study—not least by nations like Britain, which share its ideals of social justice and democracy.

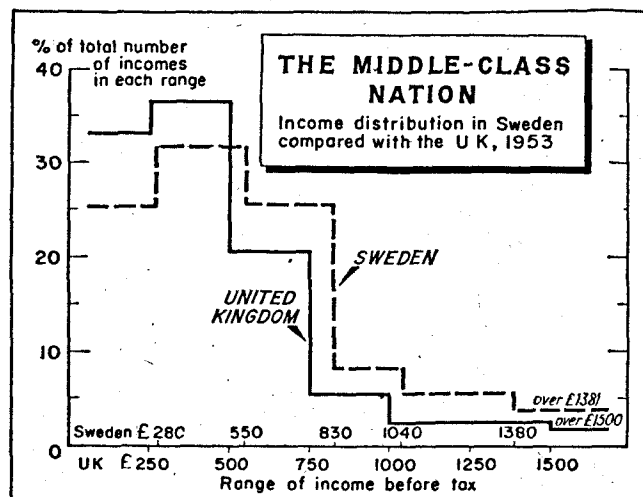
These reasons are essentially four in number. The first is that in one or two important matters, notably industrial relations, the Swedes have apparently found the answer to problems that are still vexing other western countries. It is worth remembering that their last major strike was in 1945; since then the number of workers affected by stoppages, including a few lockouts, has averaged only about 14,000 a year (in a nation of seven million), and the number of working days lost has been cut to one twenty-fifth of what it was in the chaotic 1920s. This is partly the effect of legislation; there was something inimitably Swedish about the

sight of 2,000 dockers marching in procession to the Labour Court in Gothenburg last year, shouting slogans of protest but quite ready to pay their fines for breaking the annual agreement with their employers. But at least as much is due to an entirely voluntary concordat between unions and employers, the aim of which is to prevent "lightning" strikes by imposing a due process of negotiation in all disputes. What has worked well in Sweden would not necessarily be a success elsewhere; but British newspaper readers might look with special favour on the agree-

What Follows Equality?
Grey Diamonds and Green Gold
Booms and Hiccoughs
Reluctant Lion, Twisted Tail
Sweden Goes It Alone

ment signed in 1937 between newspaper publishers and the technical unions, by which both promised to accept arbitration and to forgo strikes and lockouts.

One fallacy ought here to be exposed: the idea that strikes are forbidden by law in Sweden. Certain classes of public and municipal employees, including the police, customs



officials and some railway and Post Office staff, have in effect waived the right to strike in return for some compensating advantages (though Stockholm policemen recently found an ingenious way round this difficulty by reporting sick all on the same day). Otherwise, the annual agreements in each industry on wages and conditions of work have the force of contracts and breaches can be taken to the Labour Court which was set up under the Act of 1928. But in negotiating these annual agreements, and in dealing with matters other than those regulated by them, the contestants are free to resort to strikes or lockouts once the prescribed forms of discussion and mediation have been exhausted. The special lesson which Sweden has to offer is that a system of voluntary checks can, without removing the ultimate right of the worker to withdraw his labour, sharply reduce the number of cases in which he finds it necessary to do so.

On the international scene, too, Sweden's answer to the problems that face it calls for attention, though perhaps not for imitation. It is a crude and unsatisfactory classification of "neutrals" that puts it alongside countries like Indonesia, Burma or even India; for Sweden wears its neutrality with a difference. It does not pretend to make an ideology out of its own rather special status, nor do its statesmen stomp the world in the role of itinerant peace-makers. Since their abortive attempt in 1949 to create a pan-Scandinavian defence alliance, the Swedes have restricted their efforts for an "area of non-involvement" to either shore of the Gulf of Bothnia; here Sweden and Finland remain poised in a delicate see-saw balance, each side realising that if it quits the balance to move closer to one of the great power blocs it will most probably send the other slithering off into the opposition's arms.

Moreover, the Swedes are conscious that they are of the West, if not entirely with it. More than 95 per cent of their trade flows to and from the free world; and it is in the battle for Swedish markets that the third point of interest lies for many western countries, especially Britain. Last year the

two nations celebrated the third centenary of the trade and friendship treaty signed in 1654, and in 1954 Britain was still Sweden's chief trading partner. On Sweden's doorstep, however, lies Germany, and 1955 has seen a spectacular tightening of Germany's grip on the market. In one or two fields the decline in British fortunes has been severe—so severe that it is questionable whether they can be restored without extraordinary efforts.

But, as befits a small country, Sweden chiefly commands attention for the quality of its achievements on the domestic scene. And in foreign eyes that means two things: the twin phenomena of Social Democracy in office, virtually without interruption, for nearly a quarter of a century, and a society so far advanced toward equality that even its founders now sometimes seem to be in doubt what the next step should be.

In the terms of the French Revolution, the Swedes have achieved a degree of *égalité* unmatched outside Scandinavia and Australasia, and have yet managed to preserve *liberté* as conscientiously as most other European countries. (Perhaps only people with more gregarious tastes would complain—as they do among the English—of a certain lack of *fraternité*.) Their social superstructure has been built in a surprisingly brief time. The rise of modern Swedish industrialism dates from only 85 years ago; in 1905 less than 10 per cent of the population were entitled to vote. For a nation that is in most things slow moving and deliberative, it has been quick to import ideas and techniques from abroad. Not for Swedish socialism the long and painful struggle for birth; only a few years after industrialism began to spread, the Social Democratic party sprang fully-armed, like a Minerva of the Baltic, from the heads of Auguste Palm and Hjalmar Branting.

Again, although the Social Democrats have been in power so long, it would be a mistake to think of the Swedish welfare state as a time-weathered affair. Indeed, the last lick of paint are only now being applied. The national health service came into force last January (and that may prove to have been premature, since the full dental service is not yet in operation and the Social Board estimate that the total of 7,500 or more doctors needed to operate the medical scheme properly will not be available until 1970). Despite a sustained housing drive before and after the war,

Parties and Power

At present the 230 seats in the second chamber of the Swedish *Riksdag* are divided as follows:

Social Democrats	} in government {	110
Agrarians		25
Liberals		59
Conservatives		31
Communists		5

Except for a three-month interval in the summer of 1936, the Social Democrats have been in office ever since 1932. They have taken the Agrarians into alliance with them twice—in 1936-39 and from 1951 onwards; and during the war they joined in a national coalition which included all the parties except the Communists. The next general election is due in the autumn of 1956.

living space is still cramped by English standards, and there is an impatient waiting-list 100,000 long; and in a few minor points (the lack of a funeral grant, for instance, and the size of family allowances) officials admit to dissatisfaction with the system. And yet the total impression remains that there is not a great deal more that can usefully be achieved in the way of social levelling; what remains to be done is concerned less with the pursuit of equality than with the raising of standards over the whole of society.

This has not been brought about solely by redistribution of income. As the chart opposite shows, incomes, even before tax, tend to be concentrated more in the middle range than those in Britain. Visitors from England are always struck by the number of Swedes who pursue "middle-class" pastimes like weekending in the country and small-boat sailing. Education is far more egalitarian, because there is virtually no equivalent of the English public school, with its educational advantages for the pupil and its financial handicap for the middle-class parent. And there are no slums in the sense of the word that a Glaswegian or a Sheffielder would recognise.

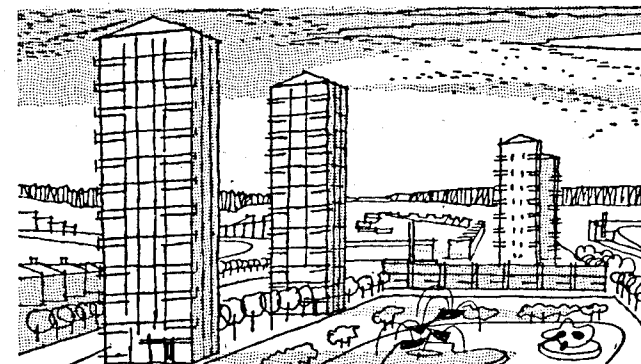
History has conspired with the politicians to give Swedish society its special character. But the very comprehensiveness of the result has produced its own dilemma. As Per Albin Hansson, the second of the three leaders who have spanned the 66 years of the Social Democrats' history, said in 1946:

We have had so many victories that we are in a difficult position. A people with political liberty, full employment and social security has lost its dreams.

Sweden's place lies among the advance guard of the democracies which have chosen to follow the path of social equality and the welfare state. It offers an object lesson to countries which will have to pass the same way, for it suffers to a marked degree from the troubles that are likely to afflict them: among others, creeping inflation, an apparently perennial housing shortage, the draining of labour away from less attractive industries, and the loss of adequate incentives for professional and academic men. And, like all advance guards, it faces the problem of deciding where to go next. Can Sweden's future lie along the lines of its recent past?

It might be answered that the next stage is one of consolidation. This may be the answer of the Social Democrats themselves. It seems probable that the only major addition to the system they will propose at next autumn's *Riksdag* election will be a scheme of compulsory retirement pensions (and in this they have already been anticipated by the employers' federation). Although there is a section in the party in favour of nationalising the timber industry, it is unlikely that the other nationalisation schemes mooted at the end of the war will be revived. But the line between consolidation and apparent stagnation is a narrow one, and stagnation, as other Labour parties have learned to their cost, can be fatal at the polls.

Nor is it easy for an elector to discover a challenging programme among the opposition parties. One of the effects



of the uncharted terrain on which Swedish politics now find themselves has been to bring the parties bunching congenially together (with the exception of the Communists, always happy outriders on their own hobby-horses). Since a Stockholm newspaper poll discovered last year that Swedes preferred a cut in income tax to a variety of other suggested benefits, the parties have competed in suggesting different schemes of tax reduction. For the rest, the Liberals oppose their "social-liberalism" to "socialism," and suggest a reduction in housing subsidies and technical adjustments to the health service; while the Conservatives are critical of the "softness" towards juvenile delinquents, and are bolder in proposing a means test for the housing subsidy and a reduction in financial aid to mothers and schools.

In these conditions prophecy is rash. But the chief threat to Social Democratic power at the next election seems to be a twofold one. Other things being equal, the rise in the cost of living brought about by this year's heavy wage increases may well cost the party four or five seats (its strength has been slowly declining since 1944, when it lost the only absolute majority it ever had—a majority which it could not use because of the war). And the Agrarians, who at intervals uneasily share the Social Democrats' bed, freely admit that the present alliance is costing them votes to the Conservatives, particularly in Skåne, and that up to a fifth of their seats may vanish next year.

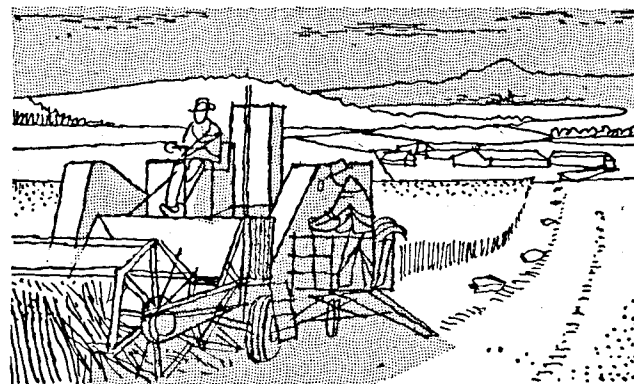
If both these things happen, the Agrarians may at last draw enough courage from their convictions to quit the alliance. Sweden's problem will then be to decide whether to attempt a four-party coalition, which the Conservatives seem to favour but which would confirm the country's political inertia; or to try a centre-right grouping, perhaps based on a minority government of Liberals and Agrarians under Hr Ohlin, the Liberal leader, with the Conservatives' support but without their membership. In any case, the present pernickety system of proportional representation makes it unlikely that more than a handful of seats will change sides; and this, combined with the fraternal solidarity of the parties on most issues, seems to diminish the chances of a change of policy even as radical as that which Britain experienced in 1951.

There is an engaging parallel between Sweden's politics and its rule of the road. At present, it is the custom for Swedish motorists to drive on the left in cars almost all of which have their steering wheels placed for driving on the right; while Swedish social democracy is geared to an economy based overwhelmingly on private enterprise. Now a committee of experts has recommended that drivers change over to the right in four years' time, but a public vote has roundly declared against their advice. No one seems sure whether 1959 will find Swedish cars on the right or left or (as often happens now) bowling happily down the middle of the road. The same uncertainty pervades the political scene. The Swedes seem to be edging their way towards a change of government; the test will be whether they notice the difference when they get one.

Grey Diamonds and Green Gold

SWEDEN is like some of its male inhabitants—long and gangling, all bone and no fat. A traveller who approaches by aeroplane sees the character of the country most truly: the golden, wheat-laden plains of the south cling like an invader to their precarious beachhead on the peninsula; a little further inland fields give way to timber, lumps of granite break gauntly through the soil, and the austere Nordic pattern of forest, rock and lake asserts itself. For every acre of cultivable land, another is covered with water and six with woodland; and the spine of mountains that runs along the Norwegian frontier is only the visible portion of the mass of stone that lies close beneath the surface. Yet out of this unpromising material the Swedes have found wealth enough to create an enviable prosperity.

North and south, Sweden stretches for nearly a thousand miles, as far as from New York to Palm Beach, or from Aberdeen to Milan. Within this range it encompasses a great diversity of scene; from the lunar landscape of the Lapland ore mines, through the bleak and undulating forests of Norrland, to the Kentish graces of the far south. The trim fishing villages along the Kattegat are as far a cry from the industrial towns of the



midland plain as these are from the lonely beauties of the Ångermanland mountains. But the most striking characteristic of the country as a whole is that it is more fertile and less frozen than its northerly position suggests; and for this Sweden can be doubly grateful to the sea.

The rich agricultural plains of the south-east and the south-west, as well as those round the central lakes, are formed from the bed of the sea that overran the area after the ice ages. The Gulf Stream, flowing down the western coast of Scandinavia, mellows the climate of Stockholm and makes places like Luleå and Kalix—on the latitude of Alaska and southern Greenland—bright with flowers in the summer. With these compensations in an otherwise rugged land, the Swedes manage in a good year to produce virtually all the essential food that their very high standard of life requires, and to have upwards of ten per cent left over for exporting.

This has been achieved by a vigorous policy of government support for agriculture, in the face of two major obstacles: a perennial desertion of the countryside in favour of the towns, and a tradition of small-scale land ownership that is inimical to modern methods of husbandry. When Disraeli and Derby were giving the vote to the English artisans, three Swedes out of four still earned their living on the land, and as late as 1938 more people were engaged in agriculture than industry; now the proportion on the farms is less than a quarter. The drift away from the land is proceeding at the rate of over 40,000 a year, according to one recent estimate, and the consequent rise in the urban population has been so rapid—40 per cent since the beginning of the war—that it has outstripped the building programme in the towns.

Nor is the diminishing rural population ideally deployed: seven out of ten Swedish farms have less than 25 acres apiece, and nearly a third of the total area of arable land is cultivated under this constrained kind of regime. Various attempts have been made by the government to expand the size of holdings, including the offer of loans to farmers who merge their properties, aid in draining new land, and an abortive attempt in 1948 to encourage a kind of "collective farming" on co-operative lines. But although some progress has been achieved since the war in central and southern Sweden, fragmentation is likely to be a serious problem for many years to come.

Yet productivity is high, and has risen by more than a third in the past decade. This summer's drought has spoiled what had been expected to be a bumper harvest, but the yield per acre of almost all kinds of crops in recent years has shown a substantial advance over wartime figures. One reason for this is mechanisation. Whereas at the beginning of the war there were 20,000 tractors in use, there are now more than five times that number; one of the incongruities of the Swedish countryside is the sight of a shining new Fordson or Ferguson working a plot of land hardly big enough for it to manœuvre in. In one way this has paradoxically increased Sweden's dependence on supplies from

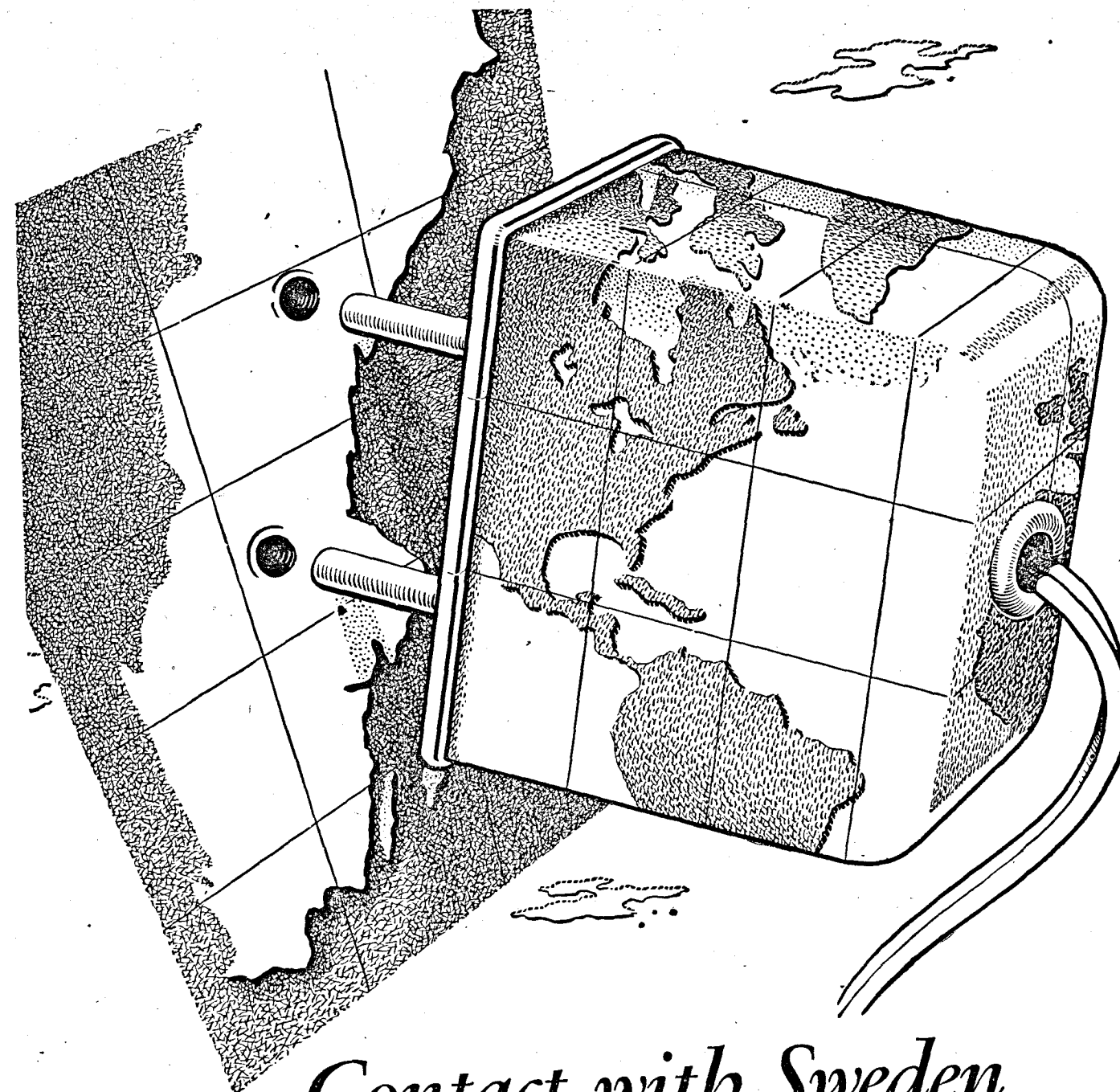
THE SWEDES AND THEIR WORK

Total population (1953)	7,192,316
Norrland	1,206,394
Central and southern Sweden	5,985,922
Economically active population (1950) ...	3,119,844
Agriculture, forestry and fishing	639,832
Mining	13,666
Manufacturing, construction, etc.	1,263,930
Transport and communications	250,407
Commerce	484,804
General administration and professions ..	342,290
Domestic service	95,551
Unspecified	29,364

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Some important foods, in '000 metric tons, 1953/54

	Pro- duction	Con- sumption	Net Exports	Net Imports
Bread grain	996	680	481	...
Oilseeds	93	91	64	...
Sugar	335	345	...	19
Milk and dairy produce	4,190	3,892	408	...
Meat	136	153	...	16
Pork	190	190	3	...
Eggs	82	75	7	...



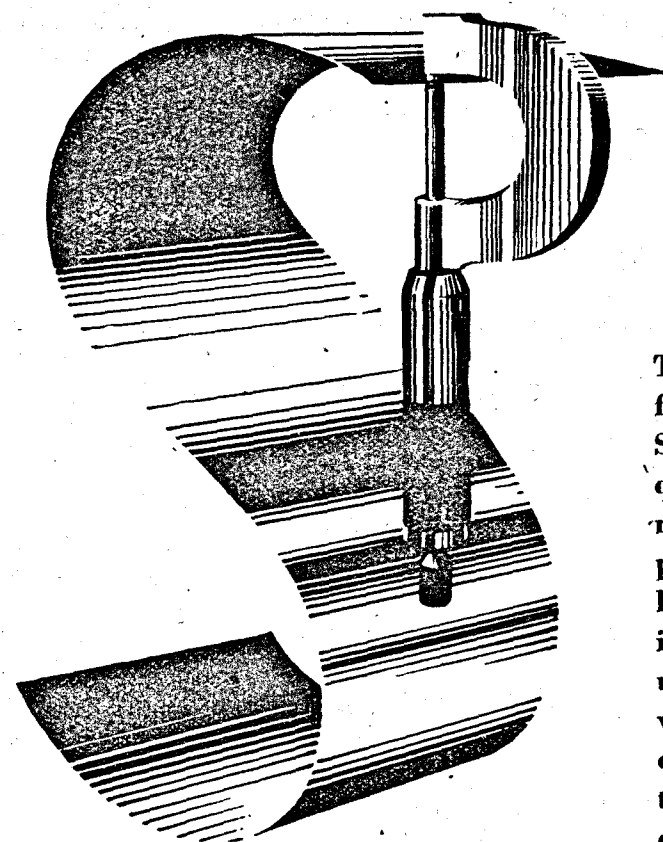
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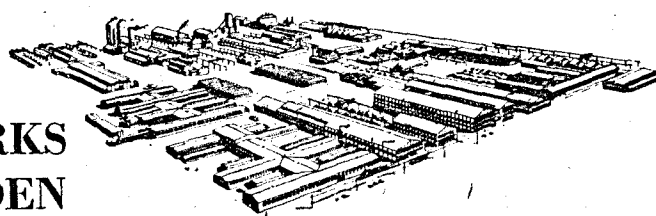
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abroad, for almost all tractor fuel has to be imported, as well as about a quarter of the large amount of commercial fertilisers used.

The state, which began to bolster agricultural prices in the depression of the early 1930s, now helps farmers partly by subsidies (chiefly on milk) and partly by manipulating import duties in such a way as to hold up prices at home.

One of the government's aims is to raise the rural standard of life, and both farmers' incomes and agricultural wages have risen markedly in recent years, though the gulf between city and village, as in most industrial countries, still yawns wide. At the cost of dearer food to the consumer (prices are 20-25 per cent above those on the international market) Sweden has made itself virtually independent of foreign supplies in case of war. Some of the good things of life have to be imported—coffee from Brazil is the most notable example—but it is estimated that more than ninety per cent of the country's calorie needs are supplied at home. And Swedes eat well; their daily calorie supply is among the highest in the world—as high as in Switzerland or the United States, and higher than in Britain or France.

Sweden's greatest wealth, however, lies not so much in the food it grows as in the resources that offer themselves for exploitation on and under its surface. These nature has bestowed liberally, if somewhat capriciously. Coal is not to be found at all, except for a sprinkling of third-rate stuff outside Hälsingborg; and the only mineral oil lies in the middle of the country in the shale deposits round Kvarntorp. But forests and metal-bearing rock provide the twin props of the country's economy—rich and abundant iron ore and timber, traditionally the "grey diamonds and green gold" of Swedish prosperity; and to these should be added what the French call *houille blanche*, "white coal," the vast resources of electric power in the lakes and rivers of the countryside. These three elements have between them directed the course of Sweden's economic history.

Most of the iron ore lies underground in two main deposits. In Sweden's far north, the Lapland mines at

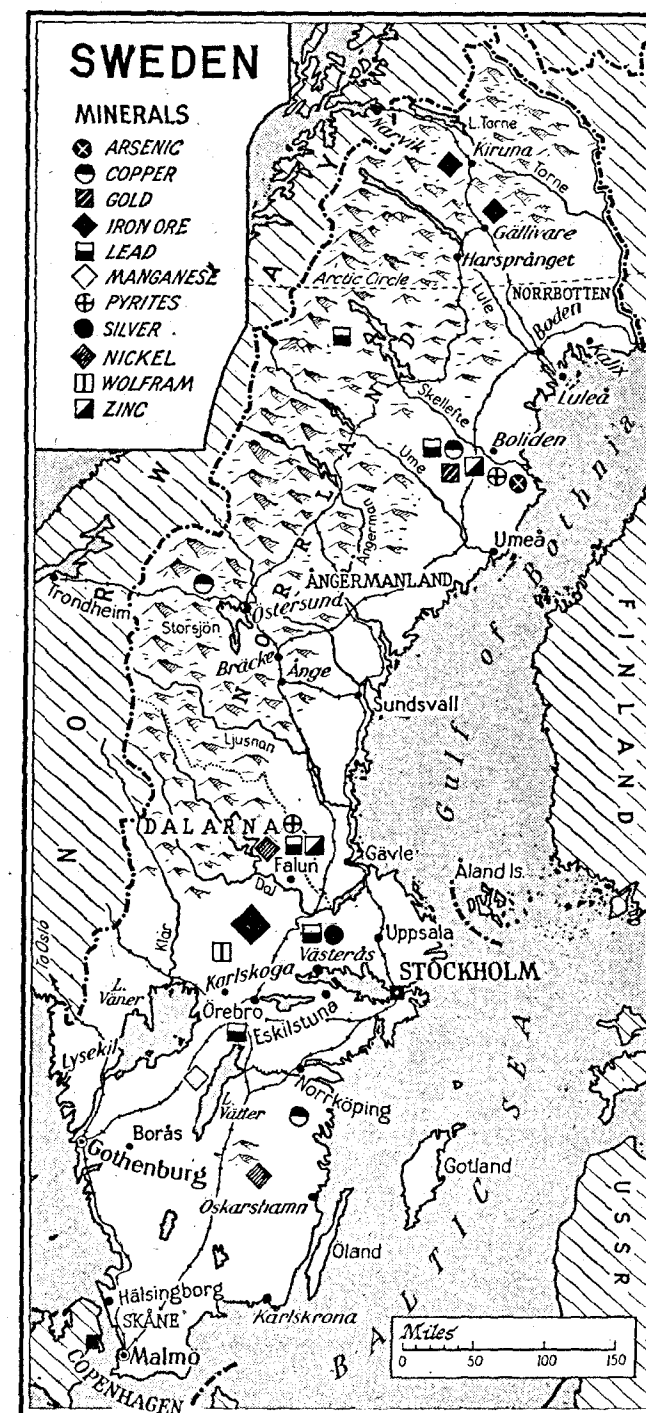
Kiruna and Gällivare-Malmberget between them hold 2,500 million tons of ore with a high mineral content—not far short of 200 years' supply at the present rate of extraction; and the mines of the Bergslagen district—the iron band round Sweden's waist—are estimated to contain another 220 million tons. (There are also some deposits in the Skellefte field in Västerbotten, but the chief wealth of this area is rock

which bears a Heinz's variety of other minerals—gold and silver, copper, zinc, lead and iron pyrites.)

Bergslagen ore, most of which has an exceptionally low phosphorus content, has for centuries formed the basis of Sweden's own iron and steel industry; in the 18th century Sweden produced 40 per cent of the world's iron from this source. Extraction of the Lapland ore, which has a higher phosphorus content, did not begin until the turn of the century, when the Bessemer process had made it workable. But today Kiruna and Gällivare account for 70 per cent of Swedish iron ore production, and the vast bulk of their output is exported.

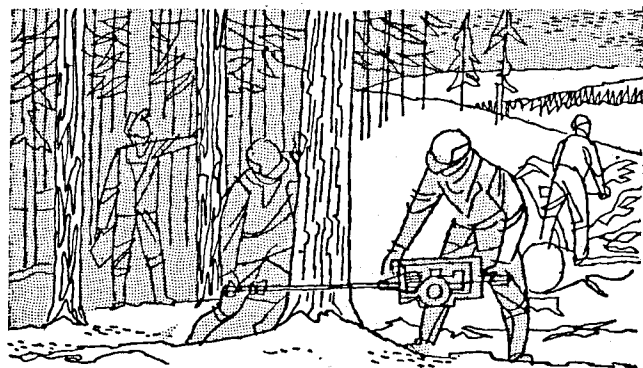
In 1951 Lapland yielded twelve million tons and Bergslagen four million (of which one million was processed at home); of the total of just over sixteen million tons, no less than fifteen were exported. The huge deposits still left in the Lapland field (which has hitherto been worked by an organisation owned half by the state and half by the private Grängesberg company) make it hard to accept the official explanation of the government's decision this year to nationalise the mines completely. This is that preparations must be made for the time when the ore will no longer be able to support the present labour force. A more plausible reason seems to be that the government hopes that nationalisation will add extra revenue to the exchequer.

Production is rising rapidly; it is hoped to increase the annual output of the Kiruna mine alone from nine to twelve million tons between now and 1963. This growing preponderance of the Lapland ore, with its higher phosphorus content, is reflected in the changing structure of the domestic steel industry. Sweden has long been famous for its high quality steels made from Bergslagen ore; but the



industry's postwar development has concentrated chiefly on increasing the production of merchant quality steels, and this process will be accelerated when the state-owned steelworks at Luleå come fully into operation.

It is forest products, however, accounting for two-fifths of Sweden's foreign earnings, that take pride of place as a source of income. Among European countries only Finland is more thickly covered with trees than Sweden; between the beechwoods of Skåne and the forlorn tundra of the Arctic lie vast expanses of woodland, in most of which only the occasional glitter of silver birch varies the expanse of spruce and pine. Sweden's standing timber is estimated at more than 10 billion trees; this is the



equivalent of 1,850 million cubic metres, and new growth each year adds another 61 million cubic metres.

Felling and replanting have for many years been subject to a precise discipline. During the recent war, however, when the forests were called upon to provide heat for homes, fuel for factories, charcoal gas for cars and tractors, and a host of other synthetic products, there was inevitably some over-cutting. And the forest imposes its own irregular rhythm of replacement; a lumber tree that needs about 90 years to mature in the south takes anything up to 180 years in the north, and in Norrland—where the pulp and sawmill industry is chiefly concentrated—timber ready for the saw is in short supply. But large increases in the south have made up for the temporary shortage in the north, and now regrowth once more exceeds cutting. Conservation schemes should make it possible eventually to raise the yield of the forests by a half; a recent estimate puts the increase in the sawmills' output during the next ten years at more than 100,000 standards.

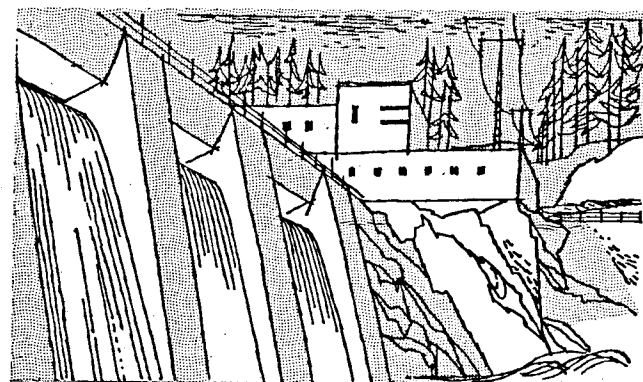
There is more room for expansion where power is concerned. A generally accepted estimate puts the total of hydro-electric resources suitable for development at 80,000 million kilowatt hours a year, and if all this were exploited the country would have to import scarcely any fuel. Today Sweden's 1,400 power stations are generating something like 24,500 million kwh, and output is increasing by about eight per cent each year. At the present rate the resources will not have been fully developed until 1980, although 90 per cent of those in the south of the country are already harnessed.

No country in the world, save Canada and Norway, produces more hydro-electric power per head of population than Sweden. The pride of the system (until the even bigger station now under construction at Umeå is completed) is the great Harsprånget plant in Lapland, which King Gustav opened in 1951. It is set 250 feet down in the solid granite, like a vast subterranean cathedral to the river gods, and the eight years of work which went to its completion cost £20 million; yet only ten men are needed

to operate and maintain it. From Harsprånget a 380,000-volt system carries energy 600 miles southwards with only a seven per cent loss in transmission.

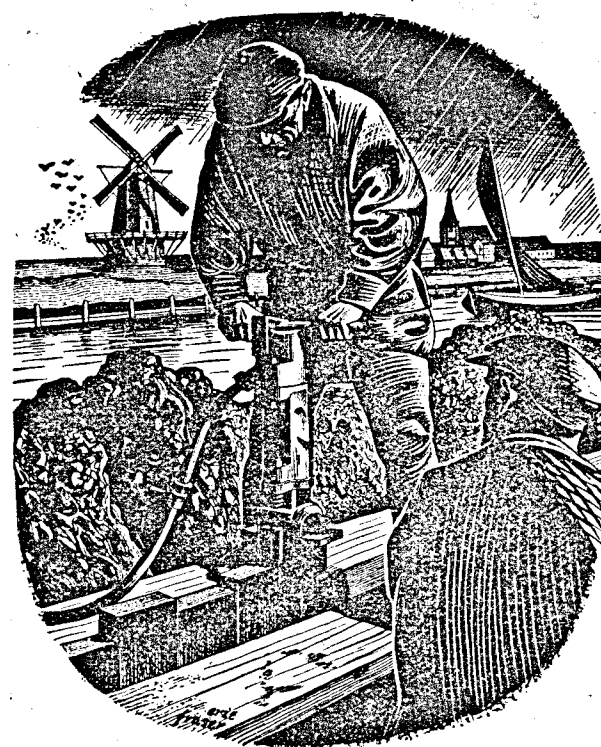
It is not yet clear how soon atomic energy will be available to supplement water power. Private industry, as well as the state, is showing keen interest, especially since the recent atomic conference at Geneva, and the technical adviser to the great Asea concern said a year ago (over-optimistically, in the event) that his company could build a station "within a year." In fact, progress so far is limited to one research reactor in Stockholm, operated by the official development organisation. A larger reactor, of 10-20,000 watt capacity, is being established on the coast near Nyköping, south-east of Stockholm, and the director of Atomenergi AB hopes that some electricity will be produced on an experimental basis within the next five or ten years. But it is likely to be 1970 or after by the time that atomic power flows through Swedish transmission lines in any volume.

One of the great social problems to be solved as Sweden develops its natural resources is the lack of balance between the two halves of the country. The nine counties of Norrland are the home of only a sixth of the population. Yet between them they hold nine-tenths of the country's iron ore and 85 per cent of its resources of electric power, as well as rich deposits of other minerals in the string of mines that stretch westwards from Boliden; and their forests contain the bulk of the still unexploited supplies of timber. Capital and skilled labour flow in from the south, and Norrlanders complain bitterly that profits roll back the same way. And it will be some time before the erstwhile farmers and woodsmen of the territory can adapt themselves to the techniques of industry; the initial losses suffered by the Luleå steelworks are blamed (apart from the high cost of



transporting steel to the midlands) chiefly on the inexperience of many of the new workers.

Norrland sometimes laments that the south treats it as a colony. Ultimately, the solution can lie only in an expansion of the north's own resources of capital and skill; and it is encouraging to see the growth of towns like Kiruna and Luleå, the latter with its spruce housing estates and its ambitious scheme for one of the world's biggest planned shopping centres. It is unlikely, because of the hard facts of geography and climate, that Norrland will ever be a major competitor with the industries of the centre and south; but there seems to be scope yet for a good deal of worthwhile development. The fiercely-criticised state steelworks at Luleå may prove to have been a vital contribution to opening up the area. Norrland is in the second stage of a frontier territory's growth. Exhortations to go north, young man, are no longer enough; the north needs encouragement and aid in building more of its own future.



Pile driving in Holland



Polishing in Sweden

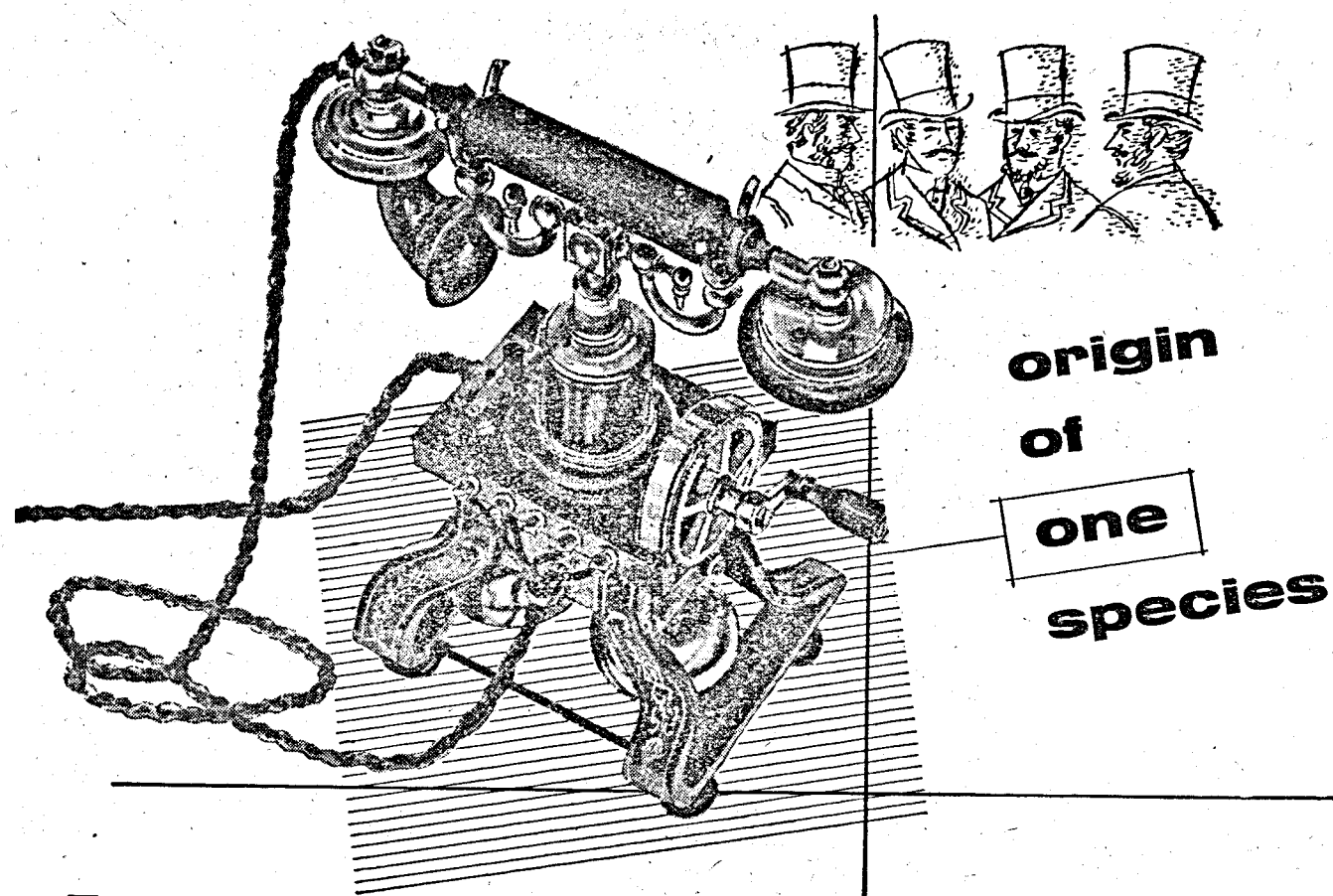
Atlas Copco puts compressed air to work for the world

Pushing back the sea is a full time job in Holland. Aiding the Dutch in their age-old battle are Atlas Copco sheeting drivers at work sinking piles and sheetings on the vast 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. Atlas Copco compressed air equipment is manufactured or sold and serviced in 48 countries throughout the world by *The Atlas Copco Group*, which embraces companies trading under various names such as Atlas, Atlas Diesel, Atlas Polar, Atlas Copco, Copco, Delfos and Sampa. Atlas Copco companies include:

UNITED KINGDOM: The Atlas Diesel Company Ltd., Beresford Avenue, Wembley, Middlesex; SWEDEN: Svenska Tryckluft AB Atlas, Stockholm 1; FRANCE: Atlas Polar S.A., 29, Rue Marbeuf, Paris 8e.; HOLLAND: N.V. Holland-Atlas, P.O. Box 6056, Rotterdam; ITALY: S.A.M.P.A., Viale Marche 15, Milan; NORWAY: A/S Atlas Diesel, Postboks 94, Oslo; TURKEY: Atlas Copco Ticaret ve Sanayi. T.A.S., P.O. Box 490—Galata, Istanbul; SOUTH AFRICA: Delfos (Pty.) Ltd., P.O. Box 504, Benoni, Transvaal; CANADA: Canadian Copco Limited, Montreal, A.M.F., P.Q.; U.S.A.: Copco Pacific, Ltd., 930 Brittan Avenue, San Carlos, California; Copco Eastern Ltd., P.O. Box 2568, Paterson 2, N.J.; AUSTRALIA: Australian Atlas Company Pty. Ltd., P.O. Box 54, Auburn, N.S.W.; NEW ZEALAND: Atlas Copco (N.Z.) Ltd., Huddart Parker Building, Wellington, C.I.

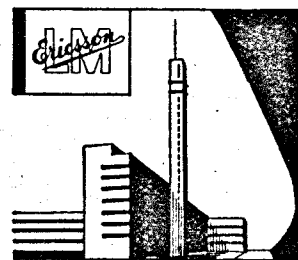


The telephone above, now a collector's item, is of interest chiefly to industrial arts historians because from it is derived every modern handset in use today. To us, quite naturally, it is a source of modest pride. We made it, back in 1892, from a prototype designed ten years earlier.

Age is not always an asset. But in the complex business of telecommunications it helps to have been along from the beginning. It takes more than sophisticated engineering and high productive facilities to provide modern telephone systems. It takes well balanced judgment, born out of long experience, to estimate future requirements and to plan and design a communications network attuned to the economic and social growth of communities and nations.

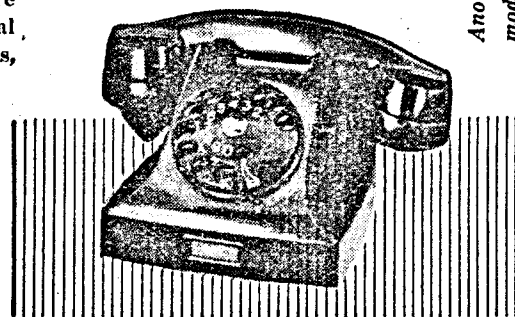
This abstruse systems planning is part of the service rendered by The Ericsson Group. In addition to designing and manufacturing equipment to specifications laid down by mature administrations, The Group undertakes the development of new networks, on a local or nationwide basis. It will survey and plan, manufacture and install the facilities required. If necessary it undertakes the long-range financing, as well as the training and development of staff, from plant maintenance men to administrative officers.

The communications package delivered by The Ericsson Group is therefore not limited to high quality electrical hardware, it also contains the technical and administrative experience gained from service to some 70 countries, from the dawn of the telephone era.



THE ERICSSON GROUP

PARENT COMPANY OF THE GROUP TELEFONAKTIEBOLAGET L M ERICSSON, STOCKHOLM 32. SUBSIDIARIES IN 75 COUNTRIES.



Another first: Model 1931 telephone, modified 1947. But there are others in the offing...

Booms and Hiccoughs

ONE of Mr Ray Bradbury's imaginative science fiction stories tells of a man who, on a journey backwards through time, accidentally squashes a prehistoric butterfly; when he returns to his own century he finds that this apparently trivial variation in the course of nature has generated, over the intervening years, all kinds of subtle changes in the familiar world he had left behind. The geological accident which denied coal deposits to the Scandinavian peninsula has had the same kind of effect in Sweden. Lack of coal is the blessing in disguise that has helped to keep its towns so spick and span, preserve the fabric of ancient buildings and save Swedish housewives the washday agonies of their sisters in English cities. Less happily, it was also one of the factors which in the last century delayed the growth of Sweden's now bustling industry.

Until the development of electric power, the country had to rely for its sources of energy on wood, primitive water power and its ability to import coal and coke from abroad. The birth of modern industry dates only from the early 1870s; and the exploitation of the country's hydro-electric resources round the turn of the century, which helped markedly to lower the costs of production, was a decisive stimulus to development. In 1870 only 15 per cent of the population depended on industrial trades, whereas by 1950 (although the figures are not strictly comparable) almost exactly a half found their living within the categories of mining, manufacturing, transport and communications. And although an average of six million tons of coal and coke have been imported each year since the end of the war, and purchases of fuel oil and petrol have been rising sharply, electrification now provides by far the major share of motive power in industry. It became the most important method of driving machinery as early as the first world war; heavy industry now consumes roughly 65 per cent of the electric power produced each year in Sweden.

It is difficult to judge how far Sweden's neutrality in the last war helped to consolidate its present prosperity. The index of industrial production as a whole rose by a half in the decade 1938-48; a figure that less fortunate European countries might look on with envy. But some of the principal exporters, notably the iron ore mines and the wood pulp industry, found the war a major handicap; and industries which expanded to fill the gap in the home market (especially the woollen and clothing trades) found themselves working at a level which, in the face first of postwar competition and then of the "post-Korean" recession, was impossible to maintain. A more noteworthy feature of the economy is the way it has kept up its impetus since the war. World demand for the products in which Sweden specialises, plus a high level of prosperity at home, have kept production in most spheres, apart from a break in 1951-53, steadily on the increase. The rise was as high as six per cent in the first half of this year compared with the same period in 1954.

The picture is bright throughout the iron, steel, engineering and timber industries, which between them account for a half of Swedish manufacturing production. The only large patch of gloom is the condition of the textile industry, which makes up about a tenth of the whole. Its troubles are partly a reflection of a world-wide trend, and the woollen industry round Norrköping—Sweden's West Riding—has fared no better than its fellows abroad; though in the knitwear section, where the position is worst, there have been bitter complaints of German dumping. Tariffs were raised to an *ad valorem* level of 12 per cent in July, but it is not yet clear whether this will provide a strong enough shield. Two big bankruptcies recently may have cut away some of the excess productive capacity, but the industry still has a sickly look by comparison with the rosy cheeks of the rest of the economy.

Last year, out of a gross national product (at current

THE STATE'S SHARE OF INDUSTRY

(Number of employees and share of production of the more important state-owned companies).

Industry	Persons engaged on Sept. 7, 1951		Turnover in 1950
	Number of persons employed by state companies	As % of total number employed in industry concerned	As % of total turnover of industry concerned
Iron ore mining	5,860	57	69
Wood and pulp manufactures	3,234	5	4
Sugar	4,355	100	46
Alcohol distilling and blending	1,244	100	100
Retail trade in alcohol	3,099	100	100
Tobacco	2,202	100	100
Petrol and shale oil refineries	1,182	53	7
Rural buses	2,083	21	13
Air transport	2,729	100	88
Hotels and restaurants	10,246	30	34
Broadcasting	376	43	100
Peat	263	29	44

THE GROWTH OF INDUSTRIAL PRODUCTION

(Index numbers 1935=100)

	1938	1948	1953	1954
Total industrial production	123	183	203	211
Iron and metal works	111	122	176	187
Wood industries	119	159	147	165
Pulp industry	106	110	121	135
Paper and cardboard	92	145	152	176
Food industries	122	164	182	183
Spinning and weaving mills	106	144	144	136
Clothing factories	127	206	202	198
Leather and shoe industry	109	133	115	113

PRODUCTION OF SOME COMMODITIES IN 1954

('000 metric tons)

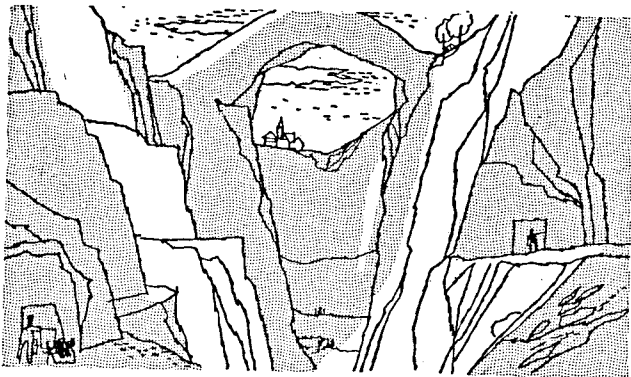
Pig iron	940	Wood pulp	2,836
Steel ingots	1,840	Paper and cardboard	1,394
Iron and steel ready for trade	1,262	Engineering (mn. \$)	1,000,937
Cement	2,381	Manufacture of elect. machinery (mn. \$)	259,755
Wool and cotton yarn	42	Ships launched ('000 gross tons) 1953	550
Rayon wool	12		
Piece goods and clothing	66		

market prices) equivalent to £3,150 million, the share of industry—including mining and power production—came to 41 per cent, compared with 12 per cent for farming and forestry. Within this figure much the biggest proportion—contrary to some hazy ideas abroad—should be credited to the workshops of private enterprise. Comparisons depend on how “industry” is defined, and this tends to vary with the definer’s point of view.

On the other hand, it is reasonable to say that the state’s chief economic role in Sweden lies outside manufacturing industry—in the railways (many of which were publicly owned from the start, for lack of private capital, and which are now almost wholly under state control); in the Post Office and the public utilities, including power supply; and in air transport and a certain number of country bus routes. Within industry proper, as an earlier table shows, the state companies (which are Sweden’s contribution to the technique of public ownership) have monopolies in sugar refining, tobacco and alcohol, but otherwise play an important part only in ore mining and one or two other fields. (Since the 1951 census, on which these figures are based, state influence has been extended by the decision to take over the whole of the Lapland iron ore mines and by the entry into full operation of the northern steelworks at Luleå, just below the Arctic Circle.)

A recent estimate from the side of private enterprise, which seems generally accepted, is that the state’s share of industry, excluding power and shipping, comes to about five per cent in terms of numbers of employees. Nor is that of the co-operatives any greater, although they have a virtual monopoly of the production of vegetable oil and a good share of the market in electric lamps and a few other things. The heroic age of the Swedish co-operatives as a manufacturer was thirty years or more ago, when they broke the margarine ring and brought down the price of half a dozen other commodities by going into business themselves. They now hold a useful watching brief on private industry, but they account for only a modest fraction of total production.

One of the characteristics of Swedish industry is the degree to which specialisation and the advantages of large-scale production have enabled a small number of very large firms to secure a dominating position. This is most obvious in electrical engineering, where L. M. Ericsson, of Stockholm, and Allmänna Svenska Elektriska AB (Asea), whose onion-domed headquarters look pontifically over Västerås, between them employ nearly half the industry’s total of technical staff. In their own fields—telecommunications and power plant—these two concerns account for about 66 and 80 per cent respectively of the national production. But the same feature is evident in other sectors. Perhaps the most far-ranging concern of all is Stora Kopparbergs Bergslags AB; this Proteus among firms, whose central offices perch over the vast crater of the ancient copper mine on the outskirts of Falun, controls the Domnarfvet steelworks (producing a quarter of Sweden’s rolled and forged steel), a paper mill (producing a third of the total output of newsprint), a large pulp mill and a factory making high-



quality steel, as well as power stations and tracts of forest covering a tenth of the province of Dalarna.

The Swedish tax system, which combines a stiff rate of extraction from companies with strong incentives to plough back profits, is also a powerful help to established big industries. Recently tighter conditions have been imposed on depreciation allowances, but this seems unlikely to change the pattern of development. From 1925 onwards, except for a slight hiatus during the war, establishments employing over 500 men have taken a bigger and bigger share of the industrial labour force—from 18.9 per cent in 1925 to 27.4 in 1950; while establishments with between 50 and

500 employees have equally steadily declined in importance. But until the end of the war there was also an interesting trend in favour of small concerns employing up to 50 men, including the tiny so-called “garage industries”; these have long flourished in Sweden, often with a very high proportion of capital equipment to labour, by supplying minor parts, suitable for small-scale production, to larger concerns. They also prospered during and just after the war by making up for vanished supplies of imported consumer goods; but recent figures seem to show that the return of foreign competition in this field is putting some of them out of business.

The same phenomenon of big business in a small country, which has caught the attention of Mr Graham Greene among others, is illustrated by the relationship between industry and the banks. It has been calculated that fifty directors of banks between them occupy ten times as many seats on the boards of industry, and it is sometimes suggested that this is the product of an obscure and illicit financial liaison between the two. In fact, since 1933, an amendment to the Bank Law has made it extremely difficult for the banks to acquire industrial shares. There is a more innocent explanation of the present undoubtedly close connection (the names of the brothers Wallenberg, of the Enskilda Bank, run like a refrain through company reports). For one thing, the banks have a close interest in a number of investment trusts; for another, Sweden’s is a small and neighbourly economy, where the banks act as brokers and, to a larger extent than elsewhere, as long-term lenders to their industrial clients. In such circumstances a fairly close degree of collaboration is only to be expected.

★

The keynote of Swedish industry, then, is a steady hum of closely organised activity. But in the last year it has been possible to detect behind the hum an occasional and disturbing whisper of inflation. All the symptoms of overstrained resources, so familiar elsewhere in western Europe, are there. At the end of the summer there were fifteen times more applications for building licences than there were licences available. In June, although 110,000 aliens are employed, the number of vacancies in industry had reached a figure nearly double that of the number of places filled. In the first half of the year wholesale prices rose 4 per cent and the cost of living index five. As a result, the last two

years have seen the phenomenon of the “wage slide,” as employers have been forced to increase workers’ earnings during the term of the collective wage agreements. And, after showing commendable moderation in 1953 and 1954, the trade unions at this spring’s collective negotiations won a series of wage increases which will probably add eight or ten per cent to the year’s wage bill.

Faced with this situation, and with a widening gap between imports and exports, the government took a number of steps in the spring which marked a radical departure from Sweden’s previous reliance on physical controls. After a Social Democrat suggestion for a compulsory savings scheme had met with widespread opposition, it decided to increase bank rate; to issue a new series of high-interest government bonds to tap off some of the funds of the capital market; and, most important of all, to call for a tightening of credit restrictions by the commercial banks. Proposals to restrain hire purchase buying have also been put forward. This decision to revive fiscal and monetary measures was belated enough, as the opposition has pointed out with zest, but it is at least a welcome sign of flexibility among the Social Democrats’ economic advisers; and there are signs that their unorthodox orthodoxy is beginning to work.

Between April and July this year grants of credit by the commercial banks fell by 609 million kronor, or about five per cent. (Indeed, the squeeze proved rather too effective for the health of the housing programme, and to save the government’s political face the *Riksbank* had to arrange with the commercial banks for a special release of credit for house building.) Although the big companies have probably been relatively untouched by the restrictions—because

they can finance expansion schemes out of their own reserves—this denial of credit must have had a chastening effect elsewhere, not least on importers; imports of machinery have fallen, and this has helped to lift the gloom felt in the spring about the year’s balance of trade. By Christmas, or at the latest a little after, it will be possible to judge how successful the new approach has proved.

Freedom from inflation will then depend chiefly on whether or not the trade unions are willing to exercise restraint at next spring’s wage negotiations. In July Hr Strand, the president of *Landsorganisationen*, the trade union federation, urged a period of slower wage rises; and the influential metalworkers’ union has also declared in favour of moderation. Fortunately, last spring’s collective agreements removed some of the complaints of the lowest-paid groups of workers. With luck and judgment, Sweden may now have a repetition of the wage truce that prevailed in 1948-50, and, to a lesser extent, in 1953-54.

If this is so, the Swedish system of once-a-year wage negotiations, conducted under the careful supervision of the trade union federation, may produce an interesting variant on a familiar condition. Where other countries suffer from creeping inflation, Sweden’s complaint seems to be hiccupping inflation: two or three years of rigid self-control by the unions, followed by a sharp upheaval as pressure from within becomes too much for them. Perhaps the Swedes have now completed their latest spasm. Sweden’s comparatively youthful prosperity does not depend entirely on its own actions, for, like every trading country, it lies partly at the mercy of world trends. But if this year’s disturbances are successfully overcome, Sweden’s boom looks as assured as any in Europe.

Reluctant Lion, Twisted Tail

WHERE the Goths and Vikings sailed a thousand years ago, the trade ships now ply. Hemmed in on two sides by mountains and Arctic wastes, Sweden deals with the world by crossing the seas; and for centuries the marauders and later the merchants have gone east and south across the Baltic and west through the Skagerrak. Eastwards the way is now blocked, as much by Communist aspirations to autarky as by the guided-missile stations along the heavily guarded Baltic shore, and only a trickle of trade passes to and fro. But with the free countries Sweden carries on a volume of business that puts it, for its size, among the world’s busiest trading nations. Of the total volume of goods and services produced each year, roughly one-fifth goes for export, and buys abroad a corresponding proportion of what is consumed at home.

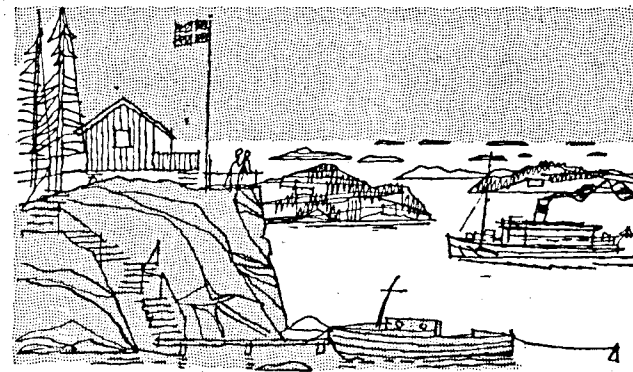
At first sight it is surprising that Sweden does so little trade in the East, where the vast bulk of the Communist world, ever eager to give a neutral a good impression, looms so close at hand. Indeed, the Swedes have not always been

confident in the West’s ability to satisfy their needs. In 1946, when the postwar demand for imports far outstripped the ability of a devastated world to buy Swedish goods, they found themselves faced with an alarming drop in their holdings of gold and foreign currencies; and this, coinciding with acute and in the

event quite groundless fears that a depression was about to descend on America, led to the signing of the famous and virtually abortive trade agreement with Russia. Yet, although Dr Myrdal, the chief Swedish sponsor of the pact and now head of the UN Economic Commission for Europe, remains perennially hopeful of the prospects of East-West trade, Sweden has found that reviving western

economies can both fully absorb its exports (paying higher prices than the Russians offered) and offer all the imports it can afford to take.

Ultimately, the Russians made use of only half the 1,000 million-kronor credit made available to them in 1946. Now they provide a certain amount of fuel oil (about 70 million kronor worth last year), and take food, metals and machinery



in exchange; but even so this accounts for little more than one per cent of Swedish trade. Poland, which provides coal in return for ore and machines, has over the last few years been only a little more valuable as a partner. Business with the other Communist countries is insignificant; the whole

SWEDEN'S MAIN TRADING PARTNERS

	Imports from :— Per cent of Total Value				Exports to :— Per cent of Total Value			
	1949	1951	1953	1954	1949	1951	1952	1953
Western Germany	6.4	13.3	18.3	20.3	7.4	10.0	11.8	11.5
Great Britain	17.3	16.2	16.4	15.9	17.1	19.0	16.6	19.0
United States	9.6	9.4	8.1	7.9	5.8	5.1	5.7	6.7
Netherlands	4.9	4.7	6.2	...	5.3	5.4	5.1	5.9
Belgium	6.4	5.8	5.0	...	5.0	4.2	4.4	4.7
France	5.5	5.0	4.7	...	4.5	5.7	5.9	4.7
Norway	3.9	3.3	3.6	...	9.8	5.9	7.8	8.1
Brazil	2.9	3.0	3.6	...	2.8	3.7	3.2	3.5
Denmark	3.6	2.5	3.1	...	4.9	4.5	5.5	5.7

of the bloc has been steadily declining in importance in recent years, and now accounts for only four per cent of all Swedish commerce.

Sweden's highways of trade, then, run westwards, and the traffic that flows along them has a basic simplicity. The products of forest and rock—timber, pulp, paper and ores—make up half the value of all exports (four-fifths of those to Britain); and two-thirds of the rest is accounted for by the industries which are built on possession of the ores—primarily metal work, specialised machine-making and ship-building. In the other direction Sweden imports the coal, coke and oil it lacks itself (roughly one-sixth of all imports) and the kinds of steel and machinery that lie outside the scope of its own industry (about a fifth). For the rest, food and tobacco, motor vehicles and better class textiles and clothing—the amenities of a comfortable standard of life—account for a third of all imports.

It is difficult to see any serious threat to Sweden's principal exports on the horizon at the moment. Sales abroad naturally rise and fall with the economic fortunes of the West, and the last few years have shown once again that forest products in particular are vulnerable both to changes in price and to considerable variations in demand. Between

1950 and 1952—the period of the Korean war and the subsequent economic reaction—timber and allied exports first more than doubled in value and then fell sharply back by a third. But in the long run iron, forest products and skilled engineering are commodities that the world will continue to call for; it is estimated, for example, that the demand for paper alone is increasing by 400,000 tons a year as the once illiterate countries of Africa, Asia and South America begin to taste the pleasures of reading.

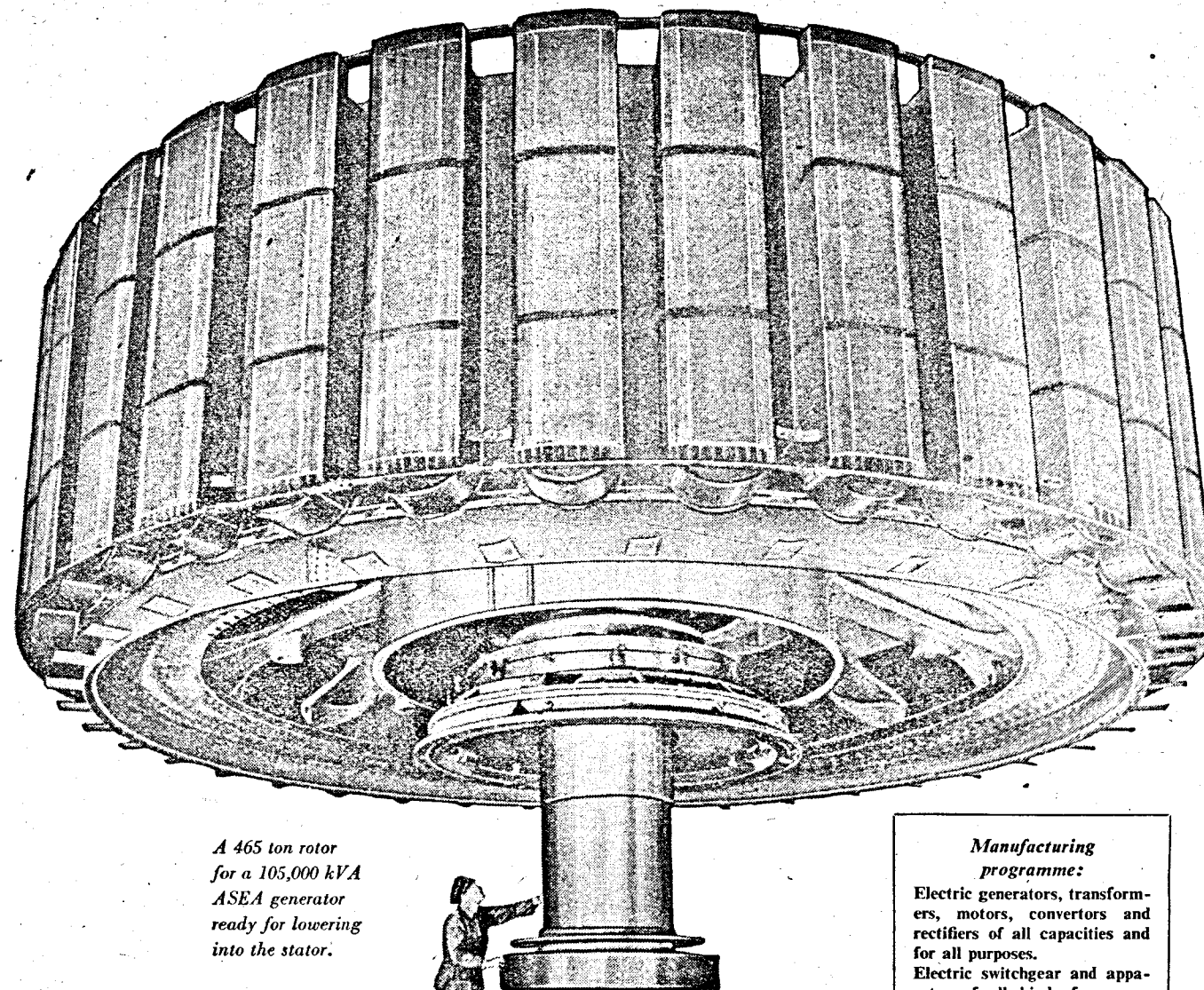
Eventually expansion will be governed chiefly by what Sweden can manage to provide. How much iron ore is left in the earth is accurately known, and to speed the rate of extraction would merely hasten the day when it will be exhausted. Similarly, the woodman must spare the tree if the forests are to replenish themselves for the benefit of future exporters. Therefore the main change in Sweden's pattern of exports in the next decade or two is likely to be a

growing emphasis on its high-quality steels and engineering products. Already the engineering industry has expanded its share of exports from 15 per cent before the war to practically a quarter. Last year Sweden took third place, after Britain and Germany, as a provider of ships; machines (notably rock drills), tools and office equipment have brought home an encouraging supply of dollars; and the producers of power plant and specialised engineering goods are finding a useful market in Europe.

The anxiety the Swedes felt earlier this year about their balance of trade was chiefly caused not by failure to sell their products abroad (as was the case in 1946) but by the excessive expansion of imports under inflationary pressure at home. Exports, indeed, grew by six per cent in the first half of 1955 compared with the same period last year; but this was far outstripped by a 17 per cent rise in imports, and Sweden's reserves sank to a dangerously low level. If, as the latest estimates suggest, payments will in the outcome be roughly balanced for 1955 as a whole, this is due at least as much to the autumn's bustling business in exports as to the check on imports imposed by the government's springtime credit restrictions. The balance of trade figures of the past few years emphasise that Sweden's most nagging problem at

WHAT SWEDEN BUYS AND SELLS (1kr.=1s. 4d.)

	Imports			Exports		
	1938	1954		1938	1954	
	Per cent	Mn. Kr.	Per cent	Per cent	Mn. Kr.	Per cent
Food, tobacco, etc.	18.99	1,615.5	17.57	8.16	509.6	6.22
Mineral products	17.89	1,582.8	17.22	14.43	806.6	9.84
Chemical products	8.00	584.9	6.36	2.77	218.4	2.66
Wood, cork and manufactures thereof	1.33	131.5	1.43	10.83	1,132.6	13.82
Woodpulp and paper	1.04	60.8	0.66	25.67	2,274.9	27.76
Textiles, clothing and footwear	14.59	1,194.7	13.00	1.58	126.4	1.54
Pottery, glass, etc.	1.64	125.2	1.36	0.77	45.6	0.56
Base metals and manufactures thereof	12.60	1,156.8	12.58	17.19	982.3	11.99
Machinery and electric plant	9.57	1,084.8	11.80	9.60	990.1	12.08
Vehicles and transport equipment	6.45	883.3	9.61	4.32	747.5	9.12
Instruments	1.71	197.2	2.15	0.71	127.0	1.55
Other	6.19	574.8	6.26	3.97	234.9	2.86
TOTAL	100.00	9,192.3	100.00	100.00	8,195.9	100.00



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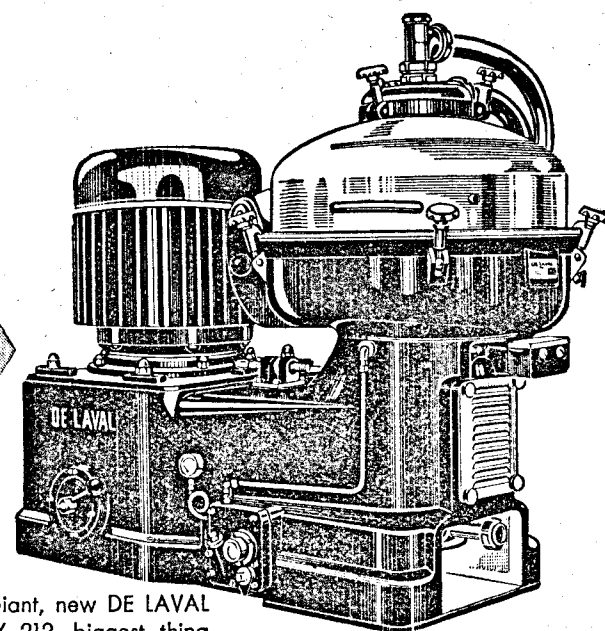
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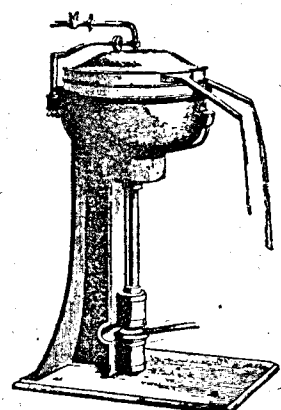
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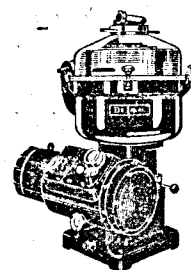


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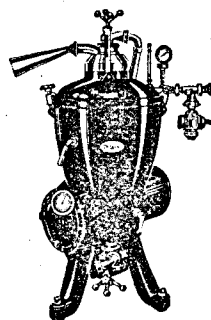


1878

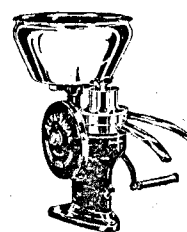
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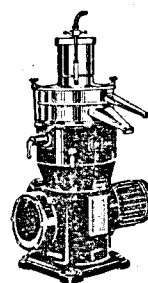
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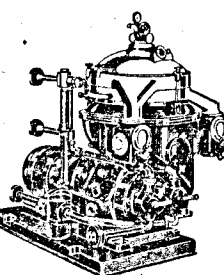


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the moment is not to sell but to trim its demand for imports. Fortunately, a handsome yield from shipping and other invisible exports (which are no less substantial for being unseen) supplements the sale of tangible exports abroad; and the omens indicate that, with proper restraint at home, Sweden should be able to afford a steadily growing supply of foreign goods.

But who will supply the goods? This is the question that poses itself to the foreign observer, and if the observer is British the answer is a wry one. Traditionally, Britain and Germany are the giants that fight for Sweden's trading favours: Germany with the advantage of the short haul across Denmark or the Baltic, and a well-established influence in technical matters; Britain with a history of three centuries of amicable trading since Queen Christina's advisers signed their pact with the Lord Protector's government. After the last war, when German exports vanished altogether and Sweden could not afford dollars enough to buy freely from the United States, Britain had a heyday of selling. But then competition grew steadily keener as Sweden gradually liberalised its trade to the extent of 93 per cent from OEEC countries and 45 per cent from the dollar area. In the past four years the Germans have been rapidly closing the gap; and in the last twenty months, as conditions of more or less open competition have been restored, they have broken into the lead in several fields.

The accompanying charts show what has happened in four of them. The British reverse has been sharpest in motor vehicles, because until last autumn German competition was held at bay by one-sided Swedish import restrictions. When the Swedes finally lifted these, in the course of their trade negotiations with Germany, sales of British cars suffered an astonishing decline: in the first seven months of this year, for example, registrations of Austin cars fell to a half of what they had been in the same period last year, Morris cars to about 65 per cent, Standards to 39 per cent, Vauxhalls to 32 per cent and Hillmans to 29 per cent. At the same time registrations of Germany's Volkswagens jumped almost fourfold, those of Borgwards more than fourfold, and those of DKWs threefold—though many of these sales represented orders placed while imports were still restricted. British losses might have been greater if Sweden had not been still an expanding market (where there was one car for every twenty Swedes in 1950 there is now one for every ten, and it is expected that there will be one for every six by 1960).

Other commodities have also felt the wind. Sales of machinery suffered a decline last year, but recovered in the first half of 1955. Cotton goods and other textiles, except

for those with a powerful quality appeal, have lost ground steadily—to Holland and Italy as well as Germany—in the last few years. Coal, which accounted for a quarter of British exports to Sweden before the war, represented only one-eighteenth last year, and here the bottom has yet to be plumbed; by a National Coal Board decision (which extends to other European countries as well) all exports will cease at the end of this year, except for held-over deliveries.

There is another side to the medal, and what amounts to a defeat in a number of sectors should not be magnified into a general rout. The total value of British exports last year was in fact slightly higher than in 1953 (though the trend did not last into the first half of 1955); and for many commodities—among them petroleum, chemicals, iron, steel and other metals and electrical and scientific equipment—there is still a healthy and in some cases an expanding market. But what has happened is marked enough to be worth brooding over by British exporters.

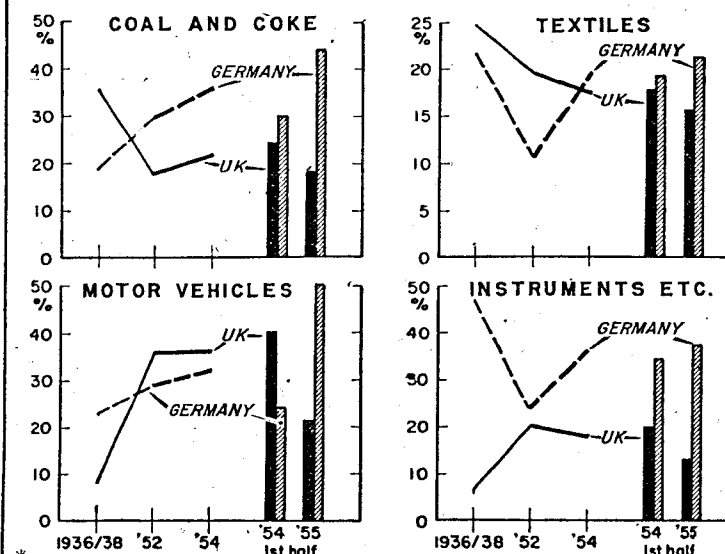
What are the causes?

In the case of coal it is simply the inability of British mines to produce what the Swedes would be very happy to buy. In the case of cars, it is clear that British sales last year were unnaturally inflated, and that as soon as the products of the revived German industry were given equal access to the market they were bound to attract the Swedes, who have a well-known taste for the new and untried. But there are also a number of specific complaints—for instance, that British

springing often does not stand up to Sweden's rugged country roads, that British heaters do not provide enough warmth for Swedish winters, and that the finish of British cars does not compare with that of the Germans. The fact that something amounting to an unfair propaganda campaign has been waged against British vehicles in sections of the Swedish press does not altogether remove the sting

WHERE GERMANY* TAKES THE LEAD

Percentage of Swedish Imports



* 1952 onwards, Western Germany only

SWEDEN'S BALANCE OF PAYMENTS

(Million kronor)

	1950	1951	1952	1953	1954
Exports (fob) ...	+ 5,726	+ 9,251	+ 8,134	+ 7,645	+ 8,218
Imports (cif)	- 6,133	- 9,239	- 8,947	- 8,161	- 9,198
Invisibles	+ 580	+ 900	+ 995	+ 845	+ 830
Deficit (-) or surplus (+) on current account ..	+ 173	+ 912	+ 182	+ 329	- 150
Terms of trade* 1949=100	96	117	109	105	105

* Ratio of export to import prices; a fall is an adverse movement

from these charges. Similarly, the makers of many British textiles have been criticised for their failure to offer novel designs and for their complicated terms of payment dates.

But the comment most often heard in Stockholm is that British exporters do not pay close enough attention to the Swedish market. The British commercial colony in the whole of Sweden numbers little more than a score; the German, at a conservative estimate, is ten times as big. And by all accounts German exporting firms are far more diligent in visiting Sweden than their rivals, and are correspondingly more sensitive to the subtleties of Swedish taste and demand. True, the two countries are next-door neighbours, and in any case the Germans tend to concentrate on fewer markets than most British manufacturers; true, also, that representatives of some British firms are as conspicuous as could be wished. But in general it is fair to say that the agency system (through which most British goods are sold) needs more direct support from the manufacturers, including both visits by senior executives and centrally organised research and advertisement campaigns.

It is difficult to estimate what the effects will be of Britain's decision not to contribute a national pavilion to the recent St Erik's Fair in Stockholm. On the Swedish business men who went to the fair to look for something

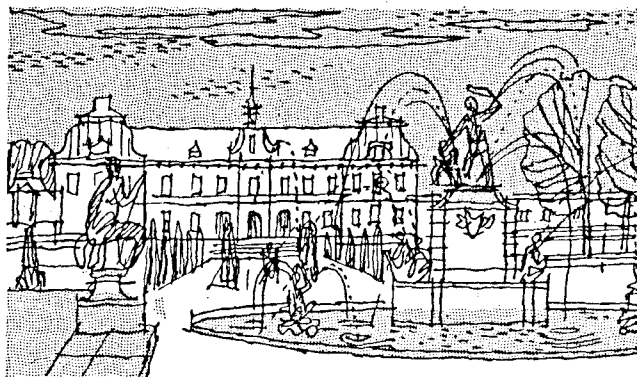
specific the effect will probably be negligible, because they could find what they wanted in the appropriate trade section; but to the rank and file of casual visitors, observing the big German and American pavilions, the absence of anything comparable from the United Kingdom can scarcely have been an incentive to buy British. In the future, much will depend on the manufacturers' ability to adjust their product to make it more attractive to the Swedes. But in the end individual firms cannot escape their responsibility to keep closer liaison with the market.

Sweden, though small, is one of Britain's best customers. Last year only seven countries in the whole world (and only Holland on the continent of Europe) bought more British goods, and only Australia bought more cars. At the moment too few business men go there, and too seldom; and in the case of consumer goods it is too often assumed that what will sell in America or the Antipodes will sell in Sweden as well. The Swedes are among the world's newly rich; they are exacting and critical buyers, who will give their custom to the man who offers them novelties and who takes the trouble to satisfy the tastes they have recently become able to indulge. At the moment, in many things, that man appears to be a German; it is up to British traders to demonstrate that they can do as well as their competitors.

Sweden Goes It Alone

SWEDEN's determination to go it alone remains unshaken. Since the Swedish attempt to negotiate a pan-Scandinavian defence pact broke down in 1949, support for the government's policy of freedom from alliances in peace and neutrality in war has increased rather than diminished. The abortive project for a Scandinavian alliance marked a radical departure from traditional Swedish thinking; and when Denmark and Norway joined the North Atlantic Treaty Organisation it was with a feeling akin to relief that the Swedes withdrew into their customary isolation. Only a group of senior military officers, together with a section of the opposition press, continues to urge Swedish membership of Nato.

Swedish neutrality has deep roots. It was in 1814 that Swedish troops disengaged themselves from their last battle, against Norwegian forces; not since the Congress of Vienna has Sweden entered into a foreign alliance. It is not surprising that a policy which has kept Swedes out of trouble so often in the past should look rather like revealed truth to many of them. Over recent years Sweden, which in the 17th century was master of a Baltic empire, has cultivated an admirable humility in its dealings with its neighbours. In 1905, it accepted with good grace the dissolution of the union with Norway. With equal dignity, it bowed in 1921 to the League of Nations ruling by which the Swedish-speaking Åland Islands remained under Finnish sovereignty.



It was in 1940 that Sweden paid its highest price for peace. After the invasion of Denmark and Norway the country was completely isolated from the west, and with Russia and Germany still allied the Swedes felt themselves in acute danger. It was understandable, if inglorious, that they should have yielded to threats and bought their safety at the cost of two major breaches of neutrality. The "transit agreement" with Germany—by which the Swedish railways earned £8 million—lasted from 1940 to 1943 and permitted the transport of so-called "replacements" of troops on leave and war material to the German garrisons in Norway. In 1941, Sweden also allowed the Germans to transport what they claimed was one fully-equipped division to the Finnish front (people who watched it pass say it was the biggest division in the history of logistics).

The memory of these events still clouds Scandinavian relations. Yet there was another side to the picture. With the Swedish authorities' connivance, vital ball-bearings were regularly taken from Lysekil to be carried through the Skagerrak by British torpedo boats. A vocal section of Swedish opinion, led by that stalwart newspaper *Göteborgs Handels-och Sjöfartstidning*, consistently supported the allied cause, and many British and American prisoners of war found Sweden a pleasant resting place on the escape route home. Ultimately, too, Swedish neutrality proved a boon to its neighbours. No fewer than 400,000 refugees

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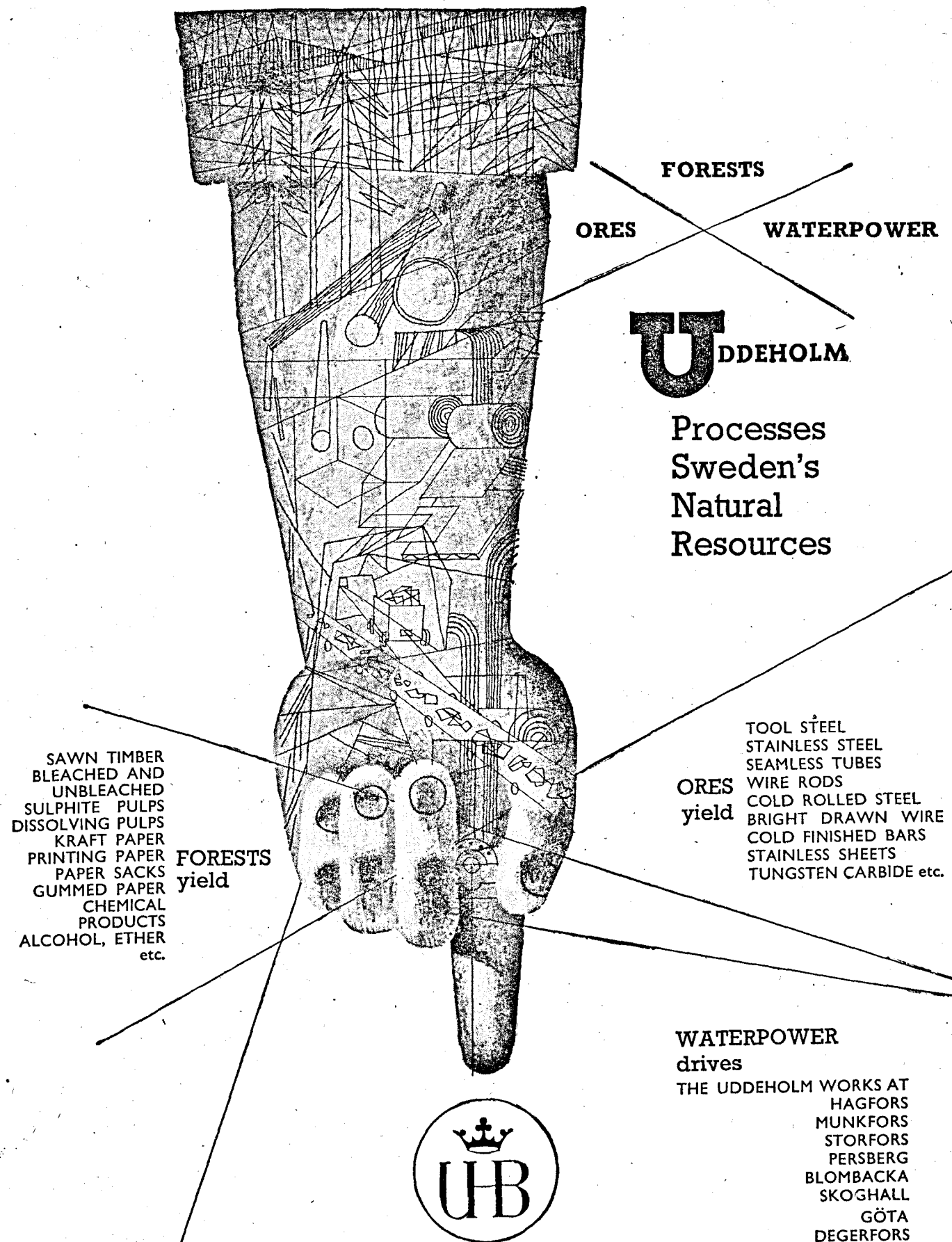
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were being housed, fed and clothed by the Swedes in 1945, who also supported international relief funds to the tune of more than £40 per head. Indeed, Swedish neutrality has never been passive. Unlike Switzerland, Sweden is active in the United Nations, and in Hr Hammarskjöld it has contributed a tireless Secretary-General who has, among other things, worked hard to improve relations in the Far East. Swedish mediators and observers have also played a valuable part in Palestine (where Count Folke Bernadotte lost his life), and more recently, though with growing reluctance, in Korea.

Today, all the four main political parties are united in two fundamental aims: freedom from alliances and the maintenance of a muscular defence force. Their solidarity was strikingly demonstrated this spring during one of the liveliest Riksdag foreign affairs debates for years, when Swedish adherence to Nato found only one speaker, a Liberal, to champion it. Only the five Communists in the chamber, together with a small group of about 15 Social Democrats with pacifist leanings, supported a proposal aimed at a reduction in the size of the armed forces. Government and opposition, however, hold widely divergent views on emphasis and method; in more than one debate there have been sharp exchanges on the pattern of defence.

Discussions in press and Parliament lately have centred on a report concerning the organisation, training and equipment of the armed forces in the next ten years, produced last autumn by General Svedlund, the Commander-in-Chief. This is a highly controversial document. It recommends a thorough overhaul of the forces and a gradual process of re-equipment after 1959, and strongly advocates that Sweden should either make its own tactical atomic weapons or buy a supply from abroad.

General Svedlund's plan would involve a relative reduction in the cost of the navy and army, including a 12 per cent cut in the number of infantry battalions, and a corresponding strengthening of the air force—in particular, a fifty per cent increase in the number of fighter-bombers. Current defence expenditure, which runs at 5.3 per cent of the gross national product, is already as high as that of several of the smaller Nato countries, and claims almost as much of the annual budget as the social services. General Svedlund suggests that during the next ten years expenditure should run at the same relative level, on the assumption that an expanding economy will meet rising costs. But the report's most important conclusion is its clear inference that Sweden cannot withstand a determined assault by a major power indefinitely without outside aid.

The pro-Nato press, which includes the largest daily, the Liberal *Dagens Nyheter*, was quick to exploit this admission, and in this year's foreign affairs debate the Conservative and Liberal leaders, Hr Hjalmarsson and Hr Ohlin, urged the government to open consultations with the other Scandinavian countries in order to co-ordinate defence in the event of simultaneous attack. But neither the Prime Minister, Hr Erlander, nor the Foreign Minister, Hr Undén, was to be drawn. Nor would the Minister of Defence, Hr Nilsson,

commit himself for the moment either to ordering the manufacture of nuclear weapons or to buying them from abroad. Indeed, although the Swedes claim they have the technical resources to make their own atomic arms, to do so would call for an initial expenditure of 200 million kronor; and to buy them from Britain or America would perhaps involve a reappraisal of Sweden's whole international position.

But even the present defence effort is a formidable one by any standards. The Swedish army consists of a nucleus of 15,000 regulars, training conscripts who serve 10½ months and are later recalled for three one-month refresher courses. Sweden's conscript force has been described as an army on indefinite leave; it could mobilise 600,000 men and put them in the field within a week. The air force, which ranks with China's as the world's fourth largest, is a remarkably efficient body. It has a front-line strength of 1,200 planes, of which a thousand are Swedish-made jet fighters and fighter-bombers, and the famous "Flying Barrel" fighter was said to be until recently the equal of any fighter in regular service; it is only now being replaced in part by Hawker Hunters from Britain. And the not inconsiderable navy includes three modern 8,000-ton cruisers, 21

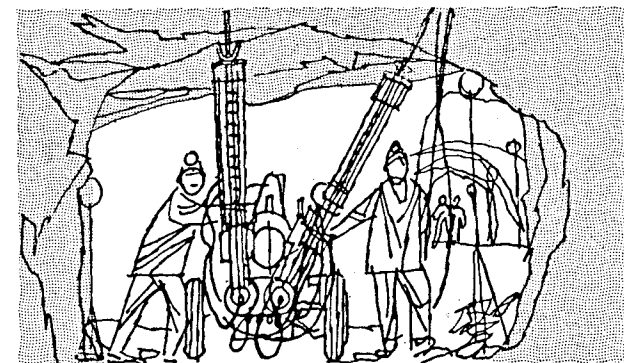
destroyers, 21 submarines and 30 motor torpedo boats.

Nor is this all. A report on civil defence, complementary to the Svedlund report, recommends drastic and costly improvements. One of Sweden's paradoxes is that in so peaceable a country civil defence service is already compulsory for certain classes of citizens. The Swedes, who lead the world in the techniques of drilling and blasting, have burrowed deep into their

native granite to build vast shelters that would withstand anything but a direct hit by a hydrogen bomb. Hr Erlander has said that if war came three million Swedes—nearly half the population—would be evacuated from the towns, while an indispensable nucleus, working vital factories and operations centres, would remain in atom-proof security.

Despite the zeal of these preparations, a Western onlooker might want to make two critical observations. In the first place, the Swedes seem to have taken a gamble in concentrating a large part of their strength in the fortress area of Luleå and Boden, in the far north. This is no doubt a calculated risk, and might prove to be justified. But the tank-country of Skåne in the south, or the chain of lakes across the middle of the country, offers a tempting striking place to an aggressor who aims at a quick seizure of the Scandinavian peninsula. In the second place, will the Swedes have time to mobilise their army in the kind of war they might have to fight? In so sprawling a country mobilisation is bound to take several days to complete; and the Swedish plan involves, among other things, a complex scheme for commandeering transport which would be highly vulnerable to an attack using atomic weapons.

The Swedes' reply to this seems to be based on the premise that any future world war will open with a period of strategic nuclear bombing of a few vital objectives (among which Sweden does not number itself) which will give them time to arrange their defences. But it seems equally possible that a Russian *drang nach Westen* might try to



take in the Nordic countries on its right at the same time as it made its main effort in central Europe. It might even be argued that the addition of twelve German divisions to the Nato forces on the Continent will tend to make Scandinavia an even more attractive route than it was when the line of advance through Germany and France was less strongly guarded.

Indeed, for all its defences, Sweden has never been more exposed to the danger of involvement than now. With the shores of the Baltic Russian-controlled from Leningrad nearly to Lübeck, and with Norway and Denmark belonging to Nato, it seems almost inconceivable that luck or diplomacy could keep the Swedes out of a third world conflict. And the Swedes themselves admit that, alone and unaided, they could at best hold out for three months. Why then their persistent rejection of alliances?

★

At bottom, their attitude seems to be based on instinct rather than reason. When a country has twice been lucky in avoiding world wars, it is natural for it to see a kind of magic charm in neutrality, and to assume, even against the logic of the situation, that it is bound to be lucky a third time. The arguments which Swedes put forward, although some of them are persuasive, seem to be basically *post facto* rationalisations of this instinct. For instance, they declare that at the moment Norway and Denmark are Nato "deficit" areas, though when the twelve German divisions come into existence Scandinavia's prospects of getting outside help may be improved. If, ask the Swedes, by joining Nato they now increase their chances of becoming involved in Nato's wars, what can they expect in return? They assert that assistance, largely carrier-borne and amphibious, would be indecisive; and therefore conclude that the risk would outweigh the advantages.

The Swedes have also carefully considered the probable consequences to their Finnish neighbours of a step that would bring Nato forces within easy striking distance of Leningrad. They think Russian counter-measures inevitable; Soviet garrisons in the Kola peninsula and eastern Karelia might be reinforced, and the Russians would perhaps invoke the 1948 Soviet-Finnish treaty, demanding free entry for their forces into Finland. The Swedes and Finns are joined by ancient bonds, and Sweden declares that it is unwilling to do anything that might land old friends in such a predicament.

Janus-like, uncommitted to either bloc, Sweden faces both ways. But while the eyes turned eastwards have a

wary, watchful and faintly placatory expression, the others, though more aloof than some in the West might like them to be, carry the gleam of shared interests and ideals. The West sometimes looks askance at Swedish dalliances with Moscow—at Hr Undén's holiday-making near Moscow, and at his obvious desire to figure as a European Nehru, blandly umpiring between East and West. Yet Hr Undén represents an attitude that is yearly growing less influential. The Swedes are realists. Memories of the two unarmed Swedish aircraft shot down over the Baltic in 1952, and of the three Communist spy-rings uncovered since 1945, are not effaced by Marshal Bulganin's present gestures of good-heartedness.

They argue that their policy has helped to lessen tension round the Baltic. Since the war, important advances have been made in Scandinavian co-operation. Recommendations by the inter-Parliamentary Nordic Council have led to a common labour market in Scandinavia (including Finland), and the abolition of passport formalities. Progress has been made towards establishing a common market for certain commodities; and the Scandinavian Airlines System is a successful example of practical teamwork. The most interesting example of co-operation is the Trondheim project, by which a road and perhaps eventually an oil pipeline will link central Sweden to the Norwegian port, and the Swedes will have their own oil storage installations in Trondheim fiord. Although the Stockholm authorities have tried to claim that it is of only economic importance, the plan obviously leaves the Swedes with the embarrassing problem of protecting their link with Norway in the event of a war in which Norway is involved.

No exaggerated importance should, however, be attached to the Trondheim project. Sweden is unlikely in any foreseeable future to seek membership of Nato. The country's defences are strong; it is pledged to last-ditch resistance against an aggressor. Yet Sweden's Achilles heel remains the absence of liaison with its real friends, of logistic and technical preparation for that outside aid upon which the country ultimately counts. The opposition's plea for Scandinavian consultation on defence offers a faint hope of a remedy. It is possible that their voices will be heard in the government after next year's elections; if inter-Scandinavian consultations followed, might these not in time lead to a Scandinavian alliance? Although neutrality is now high fashion, the Swedes may ponder on the fact that Yugoslavia's adherence to the Balkan Pact, linking it with Greece and Turkey which are members of Nato, led not to Russian reprisals, but to solid economic and political concessions and the arrival of Messrs Khrushchev and Bulganin, caps in hand and beaming, in Belgrade.



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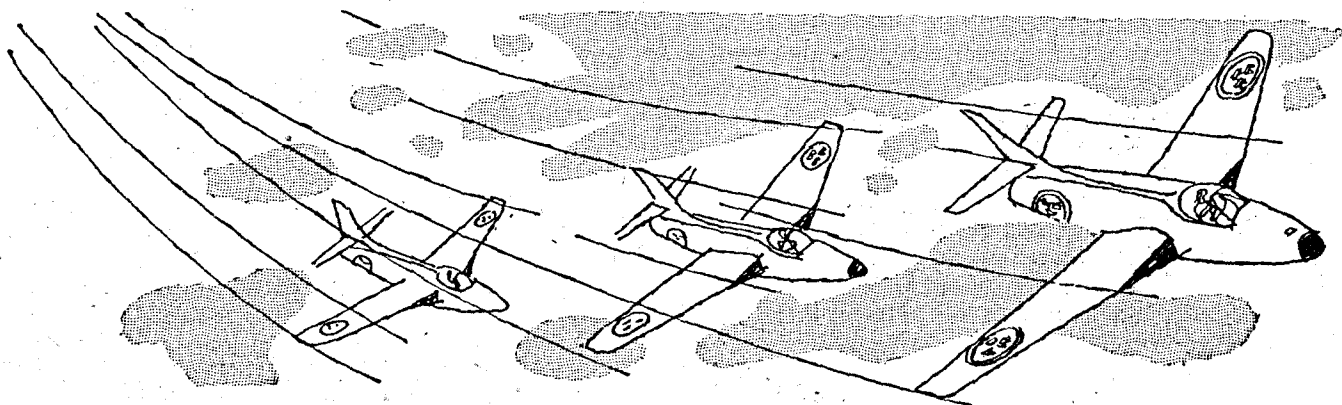
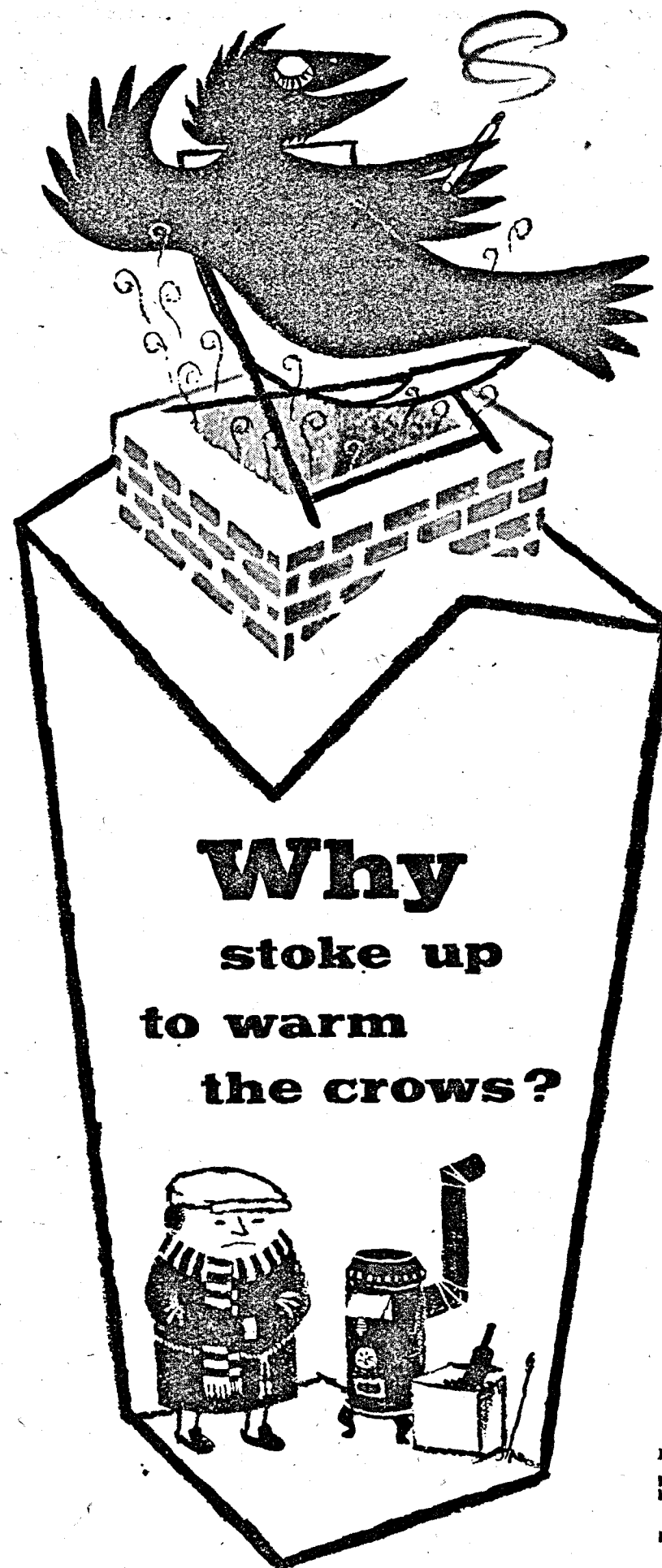
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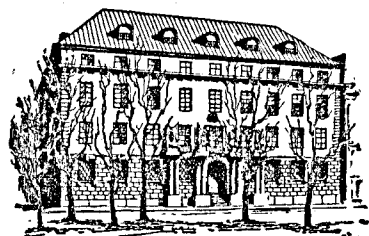
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AUTUMN BOOKS 1955

Policy and the Economists

IN the economic interpretation of history one of the most tempting things to interpret economically is economics itself. One can indeed treat with something less than perfect seriousness the Marxist view that non-Marxist economists have one and all been lackeys or running dogs (whatever breed of dog that may be) of the capitalist class, concerned exclusively with making its malevolence respectable; one may still regard economic theory as the outcome of the practical preoccupations of the time, reflecting rather than forming current judgments both on the relative urgency of different questions and on the values underlying them. On such a reckoning even those economists who have most unmistakably altered the currents of thought, even the prophets, even the rebels—Karl Marx no less than Adam Smith, and Keynes no less than Walras—were what they were by reason of the age in which they lived and the problems with which the state of productive relationships confronted that age. They saw more deeply into the implications of those problems than did lesser contemporaries; they established new inter-connections and uniformities; but the starting points and essential nature of their thought were given by historical necessity.

To anyone not befogged by partisanship the black-and-white contrast between this view and the heroic or Great Man interpretation of history (intellectual or other) shades into a more complex reciprocity. If the economist, or any other type of thinker, is the product of his time, that "time," the environment which directs and shapes his thought, is itself shaped by the thought of his contemporaries and predecessors, and he himself contributes, more or less powerfully, to shape a "time" congenial or uncongenial to different types of thought or special preoccupations. The fact that A has seen a little further through a brick wall than anyone had previously managed to do is as much a part of B's and C's environment as the existence (or architectural style) of brick walls themselves; the devising of a new tool of thought—marginal analysis, the multiplier, or for that matter the labour theory of value—is as much an event in itself as the harnessing of a new source of power.

For one thinker—an Adam Smith, a Marx, a Keynes—who will shape their time and times to come, there will always be hundreds whose role appears purely passive, even

though, as critics, elaborators, interpreters or teachers, they play an essential part in the progress of their science. There is, however, one role in which the least original practitioner may be said to shape his environment and in which the environment binds the most creative intellect; the role, increasingly important today, of official adviser to government departments or to international bodies. The economist serving in such a capacity exerts a direct effect on policy decisions and on the events stemming from these; but the topics with which he concerns himself and the limits within which he works are laid down for him and arise from the preoccupations of practical administrators and politicians. He is paradoxically far better placed to influence policy in the short term, while less well placed to influence it in the long run, than his academic counterpart. His position demands a good deal of soul-searching. Some of his work—that of the economic statistician providing "the essential orders of magnitude of the things at issue" and "the working parameters of the system"—is straightforward and, from the point of view of value judgments, neutral. But the situation is changed when he must advise on the priority of economic objectives and the conflict of economic aims, or assess "the secondary effects as well as the primary and intended effects" of a given economic measure, or decide whether to take, as immutable data, "his value judgments from the political parties and pressure groups around him" or to state the case for his own aims.

The quotations are taken from Professor E. A. G. Robinson's foreword to a newly published book on "The Role of the Economist as Official Adviser."* This is primarily a study in methodology. After the manner of most of such studies, it is very dry and, in places, rather obvious. Yet there is practical value in the formal setting-out of the elements of a policy problem in which situation, aim or means may in different circumstances provide the best starting-point for thought; in the discussion of assumptions realistic or unrealistic, long-run or short-run, of the harmony or opposition of aims, and of the influence of the time-factor on inquiry. There is, too, a wisdom beyond formality in the authors' treatment of the delicate balance;

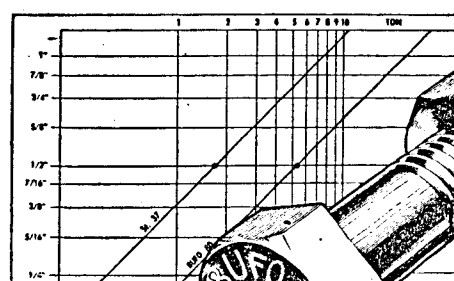
* "The Role of the Economist as Official Adviser." By W. A. Jöhr and H. W. Singer. Allen and Unwin. 162 pages. 15s.



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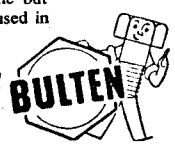


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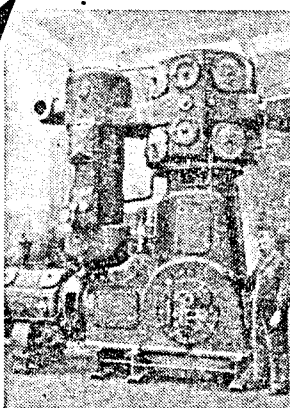
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varying in different settings, to be struck between a passive acceptance of external value judgments and a considered presentation of one's own. They bring into the open, systematise and evaluate concepts and judgments which, however hazily, must form part of the mental background of every economist engaged in public service.

What they have to say is not, however, only of interest to this specialist public. It concerns the whole role of the economist in society. For while the problems which they consider affect most closely the official adviser, they cannot be dismissed by others—the academic, the populariser, the economic journalist or the consultant on the payroll of private business. Every science has on the one hand the aspect of intellectual adventure and aesthetic delight, on the other that of practical usefulness to men seeking mastery of their environment. In economics it is surely the second aspect which should predominate. It would be short-sighted indeed to condemn pure science because its fruits are not yielded this year or next. The error lies in acquiescing in a huge gap between the intricate and refined speculations of pure science and the day-to-day practical applications of scientific method. Economic concepts should be operational; economic analysis, the tool-kit of thought, should be fitted to the nature of its material.

Moralist and Novelist

D. H. LAWRENCE: *Novelist*.

By F. R. LEAVIS.

Chatto and Windus. 318 pages. 21s.

THE personality of Lawrence has been variously described. It seems certain that as a social being he was thoroughly unstable and constantly subject to sudden revolutions of feeling. He could be wholly lovable and charming; he could be infuriating and impossible. The dichotomy reflects itself in his writing, and in this there is perhaps one explanation of the hostility which his books have frequently aroused even in critics prepared to acknowledge the fact of his genius.

Lawrence is not in the least a merely intuitive or lyrical or rhapsodical writer; on the contrary, as Dr Leavis insists, he possessed high intelligence. But in art, as in living, he was not always aware of the point at which he ceased to give pleasure. The reader, for long enthralled by an imaginative vision of almost the first greatness, finds himself suddenly repelled by a voice turned hectoring and strident in the interest of some obscure evangelistic purpose. Moreover, what he is asked to agree to seems not disinterested; it is sensed as related with embarrassing intimacy to the private predicaments, the deprivations, and even the spleen of the writer. Well-bred and reticent persons are apt to hate Lawrence. It is so much the worse for them. But there it is. And they are the sort of persons, Dr Leavis would tell us, who had too much say in the making

The offer of razors for cutting grindstones and atomic balances for weighing road-metal is not merely wasteful but useless. Stressing this truth, the authors address themselves in effect to economists of all types.

Nothing but good can come of the mutual traffic between the levels of policy and pure analysis. That the economist should shape events by personally building himself up into a grey eminence is certainly undesirable. Yet he has a duty to shape them by exerting a constant pressure towards that rationality and consistency which so easily get lost in the activities of pressure groups and the department-mindedness of administrators; and that duty demands that he be more than a mere calculating machine churning out "neutral" answers relating to specific proposals. That events should shape the course of economic thought by restricting its scope to currently urgent problems would be lamentable; but if a concern with the eventual applicability of concepts and models prevents economic theory from evaporating into pure (or only slightly impure) mathematics and logic, there is undoubtedly gain rather than loss. No small part of that gain consists in the understanding, and the acceptance as underlying data, of those human characteristics with which politicians rather than economists are traditionally concerned.

and breaking of literary reputations during Lawrence's lifetime and immediately after.

Dr Leavis's main emphasis is upon Lawrence as the inheritor of a strong cultural and moral tradition. The novelist was, indeed, a miner's son, and he sometimes wrote about the wives of baronets without ever picking up the fact that they are not to be referred to as Lady Henry or Lady Arthur. Nevertheless, he is in the direct line of George Eliot, and, at the very least, a major social historian. His supposed snobbery is something chiefly discoverable by snobs, and when his ignorance is disavowed upon it is apt to be by expatriate Americans who would not know a Congregationalist from a Methodist. Dr Leavis has never been wanting in polemical inclination and power, and this aspect of his book is uncompromising and invigorating. But even better is his positive appraisal of the greatness of Lawrence's art. It is possible that in places he presses his case too hard. "The Captain's Doll," for instance, a brilliant improvisation upon the (for Lawrence) perennially fascinating theme of Lawrence *versus* Frieda, does not, as an achieved thing, seem quite to bear the weight here reposed upon it. Nor will many agree that "St Mawr" presents "a creative and technical originality more remarkable than that of *The Waste Land*." Nevertheless, Dr Leavis's is in the highest sense genial criticism, and his study is a worthy successor to "The Great Tradition."

In Honour of Trevelyan

STUDIES IN SOCIAL HISTORY: A Tribute to G. M. Trevelyan.

Edited by J. H. Plumb.

Longman. 302 pages. 21s.

IN planning this tribute to a great and versatile historian on his eightieth birthday Mr Plumb was wise to avoid the bulky *Festschrift* and to restrict it to eight essays on the single theme of English social history in the last four centuries. By this restriction Mr Plumb has not only been able to produce a very readable tribute to a very readable historian but also an effective manifesto. "Social History," Mr Plumb writes in his introduction, "is now a field of studies of incomparable richness and the one in which the greatest discoveries will be made in this generation. Its purpose has long ceased to be merely evocative." This purpose is to give greater depth and precision to our understanding of the past; and these eight essays are of value not only in themselves but also as illuminating the themes and techniques of social historians.

Almost all the contributors concern themselves with the ruling classes rather than with the ruled. There is a repeated emphasis on the importance of the family and family connections, "most important to the social historian," Mr Annan remarks, "when they reveal some caucus of power or influence." Tastes, sentiments, and beliefs provide another theme, though a difficult one; but, as Mr Kitson Clark remarks, "It is very bad history to ignore them." And there is a strongly marked interest in buildings, from Mr Hoskins's examination of the houses of sixteenth century Leicester, through the great houses of the late seventeenth and early eighteenth century to the "comfortable ugly houses in Kensington, Bayswater and North Oxford" which were the homes of the intellectual aristocracy examined by Mr Annan.

Three writers have taken a big general theme. Professor Notestein devotes an essay to "The English Woman, 1580-1650," examining the handicaps then imposed upon the sex and the ameliorating influences of the business world, London society and Puritanism. Miss Wedgwood, more content with the evocative than her editor, draws on the stage comedies of the reign of Charles I, partly as a source of social comment but chiefly, as she puts it, for "the incidental intelligence that they give us of the things of everyday life." In an ambitious and thoughtful essay on "The Romantic Element—1830 to 1850" Mr Kitson Clark describes and analyses the heavily charged emotional atmosphere of these twenty years.

The other five contributors employ the technique of the case-history. Mr Rowse has a sensitive study of a Cornish Catholic who survived imprisonment and the rack under Elizabeth to devote himself to compiling the lives of the

Cornish saints, an antiquarian work exhibiting an uneasy mixture of criticism and credulity. Mr Hoskins gives us a fascinating sociological study of sixteenth century Leicester, showing great skill in combining different types of evidence to show social changes in a predominantly non-industrial town. Both Professor Habakkuk and Mr Plumb, whose essays are of outstanding interest, deal with the establishment of a great family in the seventeenth and eighteenth centuries, and both emphasise the rewards of high office. Professor Habakkuk's subject is the building of Burley by Daniel Finch, second Earl of Nottingham, twice Secretary of State under William III and Anne. He traces with great care the progress and costs of this great operation, and relates it to Nottingham's changing fortunes, to the needs of providing for his family and to the motives which lay behind the building of the great houses.

Mr Plumb, for his part, has written a sparkling sketch of the more dramatic fortunes of the Walpoles: Colonel Walpole, the prudent, bookish, improving Norfolk landlord, and his son, Sir Robert, whose immense expenditure so blatantly advertised the profits of politics. From the accounts and bills which Coxe discarded when he wrote his life of Walpole, Mr Plumb has been able to reconstruct the extravagance and taste of Sir Robert. In 1733 his household consumed over eleven hundred dozen bottles of wine. Other expenses were on the same scale. Sir Robert pulled down his father's house at Houghton; and of the new creation Mr Plumb writes that "architecture, furniture, landscape, harmonise like notes in music," for Walpole employed Kent and Rysbrack, and hung the walls with masterpieces from France and Italy. Mr Plumb suggests that the width of the gap between such wealth and the pinched economy of the country squires is the key to some of the political bitter-nesses of the period.

In the last essay Mr Annan takes not one case history but many, using massed genealogies to trace the development and to exhibit the solidarity of the intellectual aristocracy of the nineteenth and twentieth centuries. This was the class whose Bill of Rights, as Mr Annan puts it, was the Trevelyan-Northcote report on the reform of the civil service and whose Glorious Revolution came in 1870-71 when restrictions on entry to the public service and the universities were abolished. Anyone interested in the ramifications of the great academic families of Oxford and Cambridge is sure to find Mr Annan's material fascinating. But his conclusions are sensible and necessarily tame: "families who rise from similar milieux and whose children receive the same upbringing and education will naturally intermarry. . . . their numbers are spread very thin over the crust of English intellectual life."

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NELSON

The History of History

MAN ON HIS PAST.
By Herbert Butterfield.
Cambridge University Press. 253 pages.
22s. 6d.

THE Master of Peterhouse is a writer of romantic, not classic mould. He provides no ordered march through his theme, but a series of intellectual reconnaissances, which lead to some loss of direction, some tramping in swamp and fog, some repetitiveness and slack writing, but frequent rewarding *aperçus* over distant landscapes. These lectures on the history of history-writing were first delivered for the Wiles Trust at the Queen's University of Belfast. They begin with the rise of the German historical school at Göttingen in the generation before Niebuhr; continue with Acton's views on historiographical progress; jump back inconsequentially to Ranke, a lecture ending with two fine sections, unconnected with Ranke, on the notion of "the Renaissance" and the idea of Providence; and conclude with two illustrative lectures on the historiography of the origins of the Seven Years War and of the Massacre of St Bartholomew. There is little method here, but great richness of historical thinking. The book's unity is provided as much by Acton as by its explicit theme, for it is loaded with extracts from the Acton MSS in the Cambridge University Library, and at once takes an important place in the swelling bibliography of Actonian literature.

But it is Ranke, not Acton, with whom Professor Butterfield is most in sympathy. Ranke was the supreme exponent of "general history," which meant in practice a concern with the whole development of the European state-system, and rested in theory (so Mr Butterfield seems to argue) on the belief that an event cannot be explained without reference to the range of its remoter historical causes. The passages in the book that may be most interesting to the ordinary reader are perhaps those discussing the different ways of dividing general history into "periods," and Ranke's doctrine of "the primacy of foreign policy," which sees wars and inter-state relations rather than economic developments as the ribs of history's framework.

There are traces of an unresolved contradiction in Professor Butterfield's thought. He still suggests the possibility of a technical history, free from interpretation, whose results can be agreed by men of every belief; but he describes how far Ranke was from a colourless objectivity, and how a historical period acquires its shape and coherence in the historian's imagination. He does not admit that language is an instrument incapable of being used to discuss human affairs without cadences of interpretation and judgment. Though he quotes Renan's dictum that "impartiality is the delicate product of certain auspicious conditions, unlikely to flourish in a later

age," he does not ask why these conditions were given by the liberal phase of civilisation which is now passing. He goes deepest when he describes how Ranke "boldly confronted the paradoxes" of historiography; combining minute scientific research with the ambition of writing universal history, believing that historical science has developed, but that none is a greater historian than Thucydides, recognising that the average level of morality seems to have risen throughout history while later ages do not excel earlier ones in examples of moral heroism and spiritual depth. Many historians could have taken us on this cross-country march; very few can offer these glimpses of the tensions and harmonies "far more deeply interfused."

The Charm of Sherry

SHERRY.

By Rupert Croft-Cooke.
Putnam. 232 pages. 21s.

AS a few unhappy patterns for books on wine appear to have become established, it seems desirable first to say what this book is not. The reader will not be bored by anecdotes about so-and-so, "that prince of good fellows"; again, he will not be nauseated by references to "gay, virginal, peasant wines"; nor will he find himself faced with a dismal dictionary of names and technical terms. Some writers on wine have enthusiasm, some have knowledge, and some can write. Mr Croft-Cooke has all three qualifications and he knows how to avoid the pitfalls that have beset the feet of other writers in this field.

Mr Croft-Cooke has spent a lot of time in Spain examining the growing of the vines and the treatment of the wine. His descriptions of the vineyards and of the bodegas are complete and extremely interesting. He has interrogated a large number of the leading merchants in Spain and has set out the result of his researches in an easily intelligible manner. He starts by presenting the history of the wine, and after dealing with the details of its production and blending, provides an interesting section on the histories of the principal companies engaged in the sherry trade. He finally takes a brief look at South African and Australian sherries and makes some shrewd observations about these two competitors of Spanish sherry.

For most readers, the sections of the book that describe the treatment of the wine—from the crushing of the grapes, through the blending, racking, and fortifying of the wine, till the complexities of the solera system are explained—will prove to be the most informative. But it does not matter whether Mr Croft-Cooke is writing about corks or barrels or the mysteries of *flor*, he is always a pleasure to read. In addition, the descriptions of the countryside around Jerez, and of the people who live there, give a vivid picture of that unique corner of southwestern Spain.

"Pray for Time and Play for Time"

THE TRAIL OF THE DINOSAUR.
By Arthur Koestler.
Collins. 253 pages. 15s.

THIS volume is Mr Koestler's farewell, so his preface informs the reader, to political polemics. He has said all that he can say on the totalitarian threat of the mid-twentieth century, on the blindness of its half-conscious accomplices in the west, on the necessary strategy and tactics of a resistance debarred from using its adversary's weapons. The citadel is still besieged, but "Cassandra is hoarse, and is due for a change of vocation."

Roughly half the essays in "The Trail of the Dinosaur" are Cassandra's. They are for the most part addressed to the Left; they are the warnings of an ex-addict against a lethal drug, and Mr Koestler wrestles with its potential victims, using sympathy, "brotherly harshness," patient analysis and, on occasion, vitriolic scorn, as a doctor pitted against a literal narcotic uses on his patient every device from black coffee or strychnine to a slap in the face. For those readers who have never stood in danger of addiction a sense of repetitive boredom is only averted—but averted, one must add, by a wide margin—by sympathy with the human drama of the ex-addict's psychological plight and by the pleasure derived from seeing a job superlatively well done; a pleasure much enhanced, as one mentally places "The Seven Deadly Fallacies," or "The Candles of Truth," or "The Little Flirts of St Germain," in the hands

of selected readers, by the unworthy but potent gratifications of malice.

If Cassandra speaks in these essays and half a dozen more, it is hard to find a similar sobriquet for the Mr Koestler who wrote the less topical, more widely-ranging remainder. There is a splendidly courageous and honest-minded assessment of the Jewish dilemma, of whose practical realism it is not for a Gentile to judge. There are a couple of lively literary essays on "The Boredom of Fantasy" (science fiction) and "The Future of the Novel." There is an "Anatomy of Snobbery" (recently published in *Encounter*), shrewd, illuminating, and tolerant, in some ways the best thing in the book. There is a tribute to George Orwell. There is the title essay, also from *Encounter*, with its guess at "the spontaneous emergence of a new type of faith" pending whose development "we can at best hope for a reprieve; pray for time and play for time" until, by another such turn of the historical kaleidoscope as has often happened in the past, the threatening irreconcilabilities of today become unimportant.

Here, perhaps, is a foretaste of the new vocation towards which Cassandra is turning. With his particular obsession worked out and seen in long perspective Mr Koestler may find his place as a different sort of prophet; a philosopher or, more accurately, a *philosophe*. It is impossible to imagine him permanently renouncing, even where his ostensible subject is snobbery or the novel, the role of political critic.

Love and Friendship

THE FLOWERS OF THE FOREST.
By David Garnett.
Chatto and Windus. 251 pages. 21s.

"THE GOLDEN ECHO," the first volume of Mr Garnett's autobiography, was a memorable book. The second volume is even better. The charm of the first was his development to manhood in a number of strange and diverse situations; the second has more unity of theme. In it Mr Garnett starts as a student at the beginning of the first war; he makes the friendships of his life in the Bloomsbury circle; and the book ends in 1922, when he is happily married, his first son has just been born, and "Lady into Fox" has made him a successful author.

The two chief notes of the book are love for women and friendship in Bloomsbury. The author is a happy man: all his life he has loved and been loved, and has had for friends men and women far out of the ordinary who regarded friendship as really important. Bloomsbury, as a coherent group, no longer exists, but it is too recent and challenging a memory for impassive judgment. On the whole, the reaction is against it at present: it is thought fusty, or arrogant, or narrow and cer-

tainly it was very different from any group that could spring out of the humus of the fifties. But it would be hard to hold this desiccated view after reading Mr Garnett's book, which gives a wonderful account of a brilliant and happy set of talented people, linked by affection.

Mr Garnett's experiences during the war, which occupy much of the book, are in a way secondary to the note of friendship in Bloomsbury: he spent much of the war with his friends, and became a conscientious objector with them, on grounds which he now recognises to have been political rather than moral. Looking back, with the experience of the second war in mind, the issues of the first war seem to have been more doubtful to independent minds, and the toleration of dissent much greater. But even so, the strain of dissenting, not backed by religious certainty, was enormous; and by the end of the war Mr Garnett's emotions and character had suffered a most depressing attrition.

This delightful book is written with all the charm of style that one would expect, and with a constant glow of feeling that warms the reader. It lacks nothing, except an index.

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Painter in Prose

THE HUMAN AGE: Books 2 and 3.
By Wyndham Lewis.
Methuen. 566 pages. 30s.

MR WYNDHAM LEWIS is not primarily a novelist; but he has occasionally tipped into prose fiction of one sort or another the overflow of those strong antipathies and hostilities that have floated him through a long polemical career as a social and aesthetic philosopher. "Tarr," his first novel, holds a significant place in literary history; when it appeared in 1918 it had the function of asserting with a harsh power that much in contemporary fiction must go; the impression, Mr Ezra Pound has adequately said, was of "a highly-energised mind performing a huge act of scavenging; cleaning up a great lot of rubbish, cultural, Bohemian, romantic-Tennysonian, arty, 'societish, gutterish.'"

In this image there is something to put us in mind of the greatest of the English satirists; and in "The Childermass," the first part of an immense eschatological fantasy, Mr Lewis may be said to have begun his own "Gulliver's Travels" not in Lilliput but in Glubb-dubdrib. The book would have won wider recognition had not its author, turning from Swift to Pope, almost at once produced in "The Apes of God" a modern prose "Dunciad" which left many of his most articulate contemporaries with very little personal inclination to celebrate his talents. Nearly thirty years later, Mr Lewis has advanced his grand design by adding to "The Childermass" the present volume. It consists of two books, "Monstre Gai" and "Malign Fiesta." The interval has seen the maturing of his powers, but one cannot help reflecting that it must have been uncomfortable for his hero Pullman (a satirist, it appears, while on earth) and for Pullman's ex-fag, Satterthwaite, who have been cowering out the years on the banks of their creator's private Acheron. At last they are across the river—to find the Dantesque amenities which have been so long awaiting them now enriched with some choice additions borrowed from Belsen and Mau Mau.

Neither Pullman nor Satterthwaite is at all agreeable, and perhaps we are a bit soft (and Mr Lewis abhors softness) if we feel them rather hardly done by. At least we cannot deny the power of the spectacle afforded us. To follow Mr Lewis through his city of Metapolis or his Punishment Centre of Dis is like entering the Strozzi chapel in Santa Maria Novella—or is akin to that experience as it must have been when Orcagna's tremendous Inferno, not yet faded, was as sharp and pristine as Mr Lewis's prose. The entire emphasis of the writing, indeed, is pictorial; and the meaning of the whole inheres, at present to a baffling degree, in the succession of images called up. It may be that with the final part of the work, "The Trial of Man," what is conceptual in



One of Michael Ayrton's illustrations for "The Human Age."

the organisation of all this plastic richness will more clearly emerge. At present we are chiefly reminded that this most versatile of contemporary artists is a painter before everything else—the creator of "Surrender of Barcelona" and "Inca and the Birds."

People's Laureate

RUDYARD KIPLING: *His Life and Work*.
By Charles Carrington.
Macmillan. 548 pages. 25s.

"DIABOLICALLY great" was the verdict that Henry James gave on Kipling's talent, and the two words could hardly confirm more succinctly Mr Carrington's remark that "Kipling's power lies in his ability to evoke love or hate, or love and hate together, in almost every reader." James's tribute was, not surprisingly, qualified by an expression of disgust at the way Kipling seemed to be, at that time, descending to ever simpler subjects, from people to animals and even machines. But it is notable that tribute was paid at all by the master of circumlocution to the master of brevity. Kipling's immortality is surely based on his unsurpassed economy in the use of words. One wonders how far this particular talent reflects his gruelling first experiences of adult responsibility, as sole assistant to the editor of the *Civil and Military Gazette* at the age of sixteen. Certainly the sub-editor's blue pencil remained in his hand throughout his life. "Let it lie by to drain as long as possible," was how he liked to treat his writing. "I have had tales by me for three or five

years which shorten themselves almost yearly." The ease with which he could express the thoughts of most of his fellow countrymen in swinging words which they found hard to forget was founded on this ruthless, but never austere, passion for terseness.

There have been almost as many books written about Kipling as he himself wrote, but there is every reason to welcome Mr Carrington's. Having access to all the extant Kipling papers and the full co-operation of the author's surviving daughter—who appends a delightful brief memoir to this book—Mr Carrington might have provided a surfeit for the reader. He has preferred to stand between his subject and the reader as little as possible; his pages are peppered and salted with quotations, and his handling of a mass of anecdote is crisp and lively enough to satisfy Kipling's own standards.

All of a long life is here. The childish agonies endured at the hands of a callous temporary foster-mother; the wealth of affection in the Kipling family itself; the twelve-year-old at school, already spectacled, moustached and critical of humbug; the young poet who, at nineteen, already knew how to boost sales of his first volume by quoting a hostile review; the fascination he found not only in India but in all things that caught his recording eye, lamas, locomotives, or elderly ladies; the transformation he could work on any material—newspaper reports and casual meetings, along with his own most intimate experiences, provided themes and details for the flood of stories, poems and novels; the years of triumph, the rejected OM, the "Recessional" saved from the wastepaper basket by Miss Norton, an American friend; the eager return to journalism on the Bloemfontein *Friend*; the long war with American copyright pirates; the long and happy marriage to a devoted American woman, who upheld him through years of painful and, in part, unnecessary illness; the variousness of his friends, from Mark Twain and Hardy to Baldwin ("Stanley is a socialist at heart") and King George V—who borrowed from him parcels of books (by Edgar Wallace).

Mr Carrington attempts no pontifical verdict. But the man who emerges from these pages is real and whole, neither saint nor ranting imperialist, but a humorous stoic, an inquisitive reporter with an uncanny eye, a realist perennially intrigued by the unseen, and a writer driven on, often at breakneck speed, by the power of his own pen. Sometimes the pen ran away with him. As Francis Adams put it, "The drop in Mr Kipling is always from the stars straight into the puddles." Mr Carrington rightly emphasised Kipling's remarkable tolerance of, sometimes his delight in, his critics' most barbed attacks. He would have liked, he said, to have written the famous lines "when the rudyards cease from kipling, and the haggards ride no more"; and indeed, in invention and felicity they were not unworthy of "the people's laureate."

African Flute

ISLE OF CLOVES.
By F. D. Ommanney.
Longmans. 243 pages. 18s.

NOT merely is this the best book yet written about Zanzibar, it is one of the few good books about any part of East Africa, worthy of a place beside Burton's volumes of African travel, Baroness Blixen's "Out of Africa," and that forgotten but even now not entirely out-dated masterpiece, Sir Charles Eliot's "The East African Protectorate." Dr Ommanney was sent to Zanzibar to improve local methods of fishing, but his interest in the place did not stop short with its fisheries. He writes of Zanzibar's long history, of the ancient Empire of Zinj, the coming of the European, and Britain's altruistic struggle for the suppression of the slave trade. Here he gives rather unexpected prominence to Sir Lloyd Matthews, and he does not make quite enough of the part played in Zanzibar history by the Universities' Mission. It is surprising, too, that his list of authorities should not include the books by Mr R. H. Crofton dealing with the British Consulate. It is also a pity that this first-class book should be marred by two obvious omissions: there is no adequate map of Zanzibar island; and, worse still, there is no index.

Coming down to modern times, Dr Ommanney describes the face of Zanzibar today and discusses its political and economic problems. He sees the Arabs as the heirs of its future; "nowadays it is among the Arabs that the new voices are raised and it is they who will shape the future of their ancient home in the years to come," a sentence which will encourage those who, during the inter-war period, sadly watched control passing from the Arab landowner to the Indian moneylender and merchant. It is even more encouraging to read that in this small corner of Africa the colour problem remains unknown.

But the essential truth of this book does not concern economics or history. "When the flute plays in Zanzibar all Africa as far as the Lakes dances"—so runs the Arab proverb. Dr Ommanney has heard that magic flute, and those who look back to Zanzibar with bittersweet longing will recognise in his writing the notes of that half-forgotten music. Here are the familiar sights and sounds and smells, the elink-clink of the coffee-seller's cups, "the curious, rhythmic chanting" of the men hauling the homali carts, the great carved doors studded with brass knobs traditionally but improbably designed as a defence against elephants, the sweet smell of cloves, the sickening smell of durian. Above all, here are the people, "fierce-looking Arabs, ebony Somalis, Africans, Indians, and women of many races, gaily coloured as flowers, making a constantly moving pattern that one could watch until the stars came out low over the earth and lightning flared over Africa." No one who knows Zanzibar could fail to recognise characters such as the cantankerous old lady with her

cow or Mvita, the gardener, whose *panga* was fatal to weed and flower alike. They are all old friends, infuriating at times, as doubtless they, too, found the white *Wazungu* infuriating, but always and forever, "something of yours and part of you." In all this profoundly truthful book no remark is more profoundly true than the simple sentence, "Mostly the love of Africa is the love for her black people."

The Talk of the Town

TEN FASCINATING WOMEN.
By Elizabeth Jenkins.
Odhams. 208 pages. 15s.

IT is intriguing to search for alternative adjectives to fit the specific fascinations of these women, all of whom enslaved men and most of whom repelled or antagonised women. In order of their appearance the appellations might be amazing (Martha Ray), formidable (Elizabeth Tudor), sensational (Sarah Churchill), wistful (Fair Rosamund), romantic (Elizabeth Inchbald), ruthless (Becky Wells), outrageous (Harriette Wilson), irresistible (Lady Blessington), terrifying (the Duchess of Lauderdale), and mysterious (Mary Fitton). All of them aroused a furore of gossip and speculation in their day and generation, but perhaps the greatest charm of this book is that it avoids sensationalism. Miss Jenkins presents her chosen characters meticulously through the medium of authentic letters, substantiated conversations, contemporary press reports, eulogistic poems or damaging lampoons—any documented evidence that reflects the opinion and sentiment of their contemporaries on the most talked about women of their time. From this evidence she recreates human beings three-dimensionally in their circumstances, and judges them from the standpoint of their difficulties, so that her book is no ephemeral titillation of the taste for scandal, but a human document to be read with pleasure.

Miss Jenkins sees beyond the triumphs and disasters and the often unenviable qualities of her characters and with generous insight underlines some detail that persists in the memory after more exciting episodes have become blurred: the fact that Elizabeth Tudor always wrote "Edward" when trying out a new quill; the pathos of Sarah Churchill's shorn hair; the poignant meeting of Becky Wells and her daughter on the Yorkshire wolds; or the revealing admission of Lady Blessington that "there are so few before whom one would condescend to appear otherwise than happy."

Interwoven with the biographies of these irresistible women are brief sketches of the men whose lives they involved. They are managed with such skill and economy that they never steal the main theme of the book, but provide a political and social background to the machinations of the rogue females.

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Peter Goullart

This is not strictly a travel book. It is the rare account of a realised affinity, an idyll whose charm is its realistic gusto. The author, an exiled Russian, went to Yunnan on business but was soon as enamoured of the delicious tempo of the high-spirited inhabitants of the ancient Naxi kingdom as he was enchanted by the fantastic mountain scenery.

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'ALICELLA'

A memoir of Alice King Stewart and Ella Christie 1861-1949.

Averil Stewart

This record of two daughters of a cultured Scottish Victorian family, includes, amongst much else of interest and entertainment, a remarkable account of travel in Central Asia, Tibet, the Far East and Africa undertaken by Ella after the age of forty. The two sisters corresponded with an admirably frank individuality.

With Illustrations 21s. net.

JOHN MURRAY

Behind the Battle Scenes

THE CAPEL LETTERS, 1814-1817.

Edited by the Marquess of Anglesey. Cape. 248 pages. 18s.

NO story of Waterloo is complete without the cavalry exploits of Lord Uxbridge, and the courage with which he bore the loss of his leg: no one who crosses the Menai Straits is unaware of the column that commemorates him as the first Marquess of Anglesey. He, rather than their unsatisfactory father, the Hon John Capel (though they were a united and affectionate family) was the chief hero of his sister's company of thirteen children; and it is from her and their letters, recently discovered in the Muniment Room at Plas Newydd, that the present Marquess has edited what Sir Arthur Bryant in an introduction rightly calls "this fascinating correspondence."

At the time when the burden of the father's debts and the growing expenses of living finally drove the Capel family abroad, on the news of Napoleon's first abdication, the mother (Lady Caroline) was forty-one and expecting her thirteenth child: of her elder children, Harriet (21), Georgiana (19), and Maria (17) were old enough to write home (and how well they wrote) to their "dear Grand Mama," old Lady Uxbridge. The party was made up by Horatia, Jane, Mary, Amelia, and Adolphus; Arthur remained at Eton, and Algernon soon returned to school in England. There was also a crowd of servants. "Ah! voici les belles anglaises" greeted their appearance in the Brussels streets; and they faced

the hardships of travel and horrors of war with equal courage and cheerfulness.

The story opens at the Ship Inn at Dover, in June, 1814, where every one is coming and going—Alexander ("horridly pink and pudding-like," "dear old Blucher," the King of Prussia, the Duke of Clarence; then Brussels, where their military acquaintances are in and out all day "like tame cats," and the girls strike up a special friendship with the young Prince of Orange. Dances alternate with *fêtes champêtres*, *grandes chasses*, and religious processions. Suddenly "the Monster" has returned; Louis has fled from Paris; and Wellington is preparing to defend Brussels. There are few more vivid accounts of the back scene of battle than Caroline's letter of June 18th; or more gruesome ones of the battlefield than Georgy's written seven weeks afterwards.

But within a month the new baby was born, and within a few weeks had died. Brussels became intolerable, and the family moved up the Rhine to Switzerland, finding life less easy than they had expected, but still getting the last ounce of excitement and humour out of it. Harriet has a passionate affair with a mysterious Baron Trip, which fills, a little out of proportion, the last chapter.

The letters seem to have been admirably selected; the prologue, epilogue, and notes add just what is needed to explain them. There is a complete genealogy, and charming portraits of Lady Caroline and her mother; one could wish the daughters were here, too.

Melting Pot in Japan

THE WORLD OF DEW: Aspects of Living Japan.

By D. J. Enright.

Secker and Warburg. 216 pages. 18s.

MR ENRIGHT'S title refers to "living Japan," but his perceptive book makes one wonder what aspect of that curiously ambivalent country deserves the adjective. Not, surely, the remnants of the old order, with its formalised and highly artificial codes of behaviour and its frigidly stylised culture; here are all the hallmarks of a society that has evolved its way almost to barrenness. Nor, even more emphatically, the imposed superficialities of the Americo-European way of life. In the past century (and especially in the last ten years of occupation and paternalism) the West has tried to clap an occidental mask on an oriental face, and has shown equal surprise and disapproval when the mask has refused to come to life.

With eighteen months as Professor of English Literature at a Japanese university behind him, the author has some depressing stories to tell about the tenuous hold that western education has on many of his pupils: the intense

young men and women who insist on thinking of western life as a compound of Kafka and the Waste Land, but whose regard for accuracy is so slight that they can name the "leading English poets of the 1930s" as "Owen, Spencer and Diluice" (Day Lewis in his own country). One of their difficulties, Mr Enright points out, is in translating the evasive ambiguities of Japanese into the much more down-to-earth English; but at least as much blame must lie with the American-sponsored education law of 1947, which "upgraded" many high schools to university status and made a university degree roughly as valuable as the GCE in England.

Japan is an unhappy melting pot for East and West, and it is still unclear whether the result will be assimilation by western ways, reaction from them (and towards the Communist mainland) or a fusion between the two. One of the best omens for a successful compromise is the postwar Japanese film, which treats Japanese themes and characters (especially the portrayal of the swordsman in "Seven Samurai") with a quite unJapanese realism.

Mr Enright has all the qualifications of a good commentator. He has been

in Japan long enough to have got his facts straight but not long enough to be seduced by the sort of romanticism that laid Lafcadio Hearn low. He knows something of the Japanese language, but not enough to be misled by its obliquities. He has both a poet's and a novelist's eye, and though his book does not claim

Fanfare for Elizabethans

THE EXPANSION OF ELIZABETHAN ENGLAND.

By A. L. Rowse.

Macmillan. 463 pages. 30s.

MR ROWSE'S second volume of his "The Elizabethan Age" brilliantly fulfils the high promise of its predecessor. There he analysed the structure of society and government; here he traces the sweeping expansion into the Celtic fringes and across the Atlantic. War against Spain followed with operational fronts stretching from the Netherlands to Ireland and naval actions ranging from the Channel to the Caribbean. The overseas voyages and the Armada campaign are familiar, but for the first time the whole story has been given a unity of treatment and told with verve, imagination and originality. By starting with the new deal which the Tudors gave to Wales, "the first example of the English genius for coaxing self-government out of other peoples," Mr Rowse gives a new perspective and longer vistas to the Elizabethan expansion. Ireland, however, "enjoying the amenities and outlook of an Anglo-Saxon heptarchy," refused to be absorbed. But Ireland pointed westwards. Those who established plantations in Ireland, such as the Gilberts, Grenville and Raleigh, were also the promoters of colonisation in America. Ulster had seemed to one Elizabethan "as inaccessible to strangers as the Kingdom of China." But it is the comparison rather than the pessimism which is revealing, for, as Mr Rowse notes, it was in Ireland that Gilbert wrote his "Discourse" on the North-West Passage to Cathay.

Welsh society in the Tudor period has never been depicted with such imagination and insight, nor the struggle in Ireland, with Tyrone caught in tragic ambivalence between two civilisations, been described with such sympathy and skill. Henry VII "remained always conscious of his Welsh ancestry and obligations." Welshmen were drawn to London by an appetite for culture and advancement. Whereas Owen Glendower had wanted a Welsh university, Jesus College in Oxford, founded in Elizabeth's reign, symbolised the new loyalties. Like the English gentry, the Welsh squires gathered like cormorants upon the pickings of the Church. In contrast, Ireland was held by the Counter-Reformation, and Tyrone, accused by Essex of caring "for religion as much as my horse," found in fanaticism a powerful leverage for unity. Fighting with "battle-axes that had been the latest thing in the Norse period" until Tyrone achieved some modernisation, the Irish, aided by terrain and

to be more than a series of personal impressions it is one of the most worth while written about Japan since the war. It is only a pity that at the end he should seem to lend his approval to the naïve idea that a Nehru-like "non-involvement" is the best line for Japan to follow in the future.

climate, did not surrender till the year of the Queen's death.

Sir Walter Raleigh wrote that "the ordinary argument and theme of history is war." Certainly war dominates this book. Armed with bills and bows, relying on an inefficient system of recruiting and dependent on a supply system choked by corruption, the Elizabethan army was fifty years behind those of the continent. Gradually the gap was closed, and Mr Rowse devotes some of his most telling pages to the campaigns in the Netherlands, where Sir Francis Vere emerged as one of our first professional generals. But despite the more professional approach to land warfare, illustrated by the volume of military treatises which came from the presses, mistakes were frequent and corruption remained. The war dragged on, partly because sea-power was only half deployed, partly because of financial stringency and because Elizabeth, disliking war, had, as even Mr Rowse concedes, no instinct for strategy.

The bold and simple construction of this book is strong enough to support the great weight of detail, ornament and flourishes its author delights in. Mr Rowse prefers detail to analysis, but it never obscures his theme. It is apparent that he has often left All Souls for the scenes he describes: for Valladolid, where there is a damaged Virgin, the Vulnerata, a casualty of the sack of Cadiz; and for Conway, where Robert Wynne's house is decorated with exotic plaster work with motifs of ostriches and elephants, suggestive of possible trade with Africa. He draws on unpublished sources and makes effective use of literary evidence. His own advertised position as a rational sceptic is understandable in a sixteenth century historian, but for some his tone may be tactlessly shrill. Needless and obtrusive comments often check the sweep of his narrative, and his quick sympathy can lapse into sentimentality. While he has a gift for writing swift and exciting prose he has been unable to resist or to prune some distressing vulgarisms. Expressions such as "pals" and "sticky ends" contrast oddly with Mr Rowse's admiration for Elizabethan English, "so fresh, so shining and full of life."

Mr Rowse's third volume is to be devoted to the energies of mind and spirit. It will be interesting to see whether he can show what he recognises in Shakespeare, "that extraordinary justice of mind that might so easily be confused with sceptical indifference to human folly," or whether he will maintain the view, also here expressed, that "humans take their absurd convictions too seriously."

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Longmans

Stormy Sunset

THE SUNSET OF THE SPLENDID CENTURY.
By W. H. Lewis.
Eyre and Spottiswoode. 320 pages. 30s.

SOME county libraries demand the payment of postage "on all books of a light or recreational nature such as biographies." This austere protection of the ratepayer against his own frivolity may be due to the influence of those professional historians who suffer from the disease Philip Guedalla called historians' English: they shun any period or topic that is exciting, and write with the academic detachment of a voice in the next room.

Mr Lewis is immune from this infection, for he is no academic historian and writes with a racy gusto that communicates to the reader his own enjoyment of the scene. Here he completes the picture he presented two years ago in the "Splendid Century" by telling the life story of the Duc du Maine against a lightly sketched background showing the rise, triumph and decline of Louis XIV, and the repercussions which followed on his death.

The Duke was the son of Louis by Madame de Montespan, who, gravely implicated in the witchcraft scandals of 1680, retired to a life of belated repentance in a convent. But he was unaffected by her absence, for he was de-

voted to his governess, the enigmatic Madame de Maintenon, whose story, from widowhood to royal wife, is sympathetically told. Unfortunately, du Maine was as weak in character as in physique: even during his short, but not discreditable, military career he seems to have felt a constant need for his late governess's approval; and it is not surprising that his marriage in 1692 resulted in the substitution of one dominant female for another.

Anne Louise de Bourbon-Condé, daughter of a semi-lunatic Prince of the Blood, exercised a disastrous influence on him. Mr. Lewis's description of her all-night fireworks and charade parties at Sceaux is vastly entertaining. But though his wife's extravagances brought the Duke near to bankruptcy, it was his inability to control her furiously insatiable political ambitions that eventually involved them in treason. And yet the word "treason" would be an unfair historical verdict upon what, the author emphasises, was a feebly melodramatic attempt to revive the Fronde.

"The Sunset" clearly illuminates that curious prologue to the French Revolution, the Regency of the dissipated but astute Orleans, who had to deal with discontents that rumbled ominously through the years until 1789. The after-glow is prophetically ominous with all the signs of a great storm.

Paradise Lost?

THE SUBURBAN CHILD.
By James Kenward.
Cambridge University Press. 142 pages. 12s. 6d.

MOST people, on reaching middle age, want to reflect on their childhood; hence the stream of authors' reminiscences. But Mr Kenward presents his nostalgia with a difference. On the face of it his childhood could hardly have been less interesting. He was an ordinary child in an ordinary family. He does not seem to have had even remote links with the eminent—though he did have a great-great uncle who was wont to take control of suburban trains out of the hands of the driver and abandon the passengers in the countryside of north Kent.

The beginning of that railway, asserts Mr Kenward, was the beginning of Suburbia, which reached its great days in his own childhood forty to fifty years ago. And he has written these reminiscences, for which Edward Ardizzone, as instanced on this page, is the ideal illustrator, as a challenge to those who look down in contempt on Suburbia and as a reminder to social historians that here is a new field of study.

How wonderfully evocative his reminiscences are. Anyone whose childhood coincided roughly in time with Mr Kenward's—however different its place—will feel twinges of delight as he recalls the ritual of the period (the daily departure of the breadwinner, the annual migration to the seaside); the

clothes (sailor-suits—navy for winter and blue and white stripes for best); the toys and the walks. If the reader lives in a suburb, particularly somewhere in the region of Mr. Kenward's (was it Eltham, Mottingham or Chislehurst perhaps?), he will be irresistibly compelled to make comparisons.

His Suburbia was essentially a middle-class community living in detached or semi-detached houses. His father would have moved on at the first hint of council housing programmes with their huge blocks of flats, which heralded Suburbia's decline and fall. But much that he recalls is relevant today. The modern counterpart of the dame school for seven-year-olds in people's houses,



which he attended, is the nursery school for the under-fives, also in private houses. Blackheath pond still sports huge sailing ships. The trains that Mr Kenward used to watch—and his great-great uncle to drive—are now electrified, but there is still a walk through buttercup fields to a railway bridge from which

three pairs of railway lines can be observed at the same time. Above all, children's tastes, their reading, their toys and their friendships, seem scarcely to have changed. Mr Kenward has done more than defend Suburbia as it was. He will make his suburban reader spring to the defence of Suburbia as it is today.

History Without Tears

STORY OF A YEAR: 1848.

By Raymond Postgate.
Cape. 286 pages. 21s.

IN the mathematics of dividing up the past, historians have never been very happy about the most effective unit of measurement. Routine has suggested the age or the century; technique and predilection have pointed to the trend period or the generation. Few historians have written good histories of particular years.

Mr Postgate has selected perhaps the most interesting year of the nineteenth century—1848—with no open purpose in view. His intention, he remarks in his preface, is merely to enable a reader to live through one Victorian year beginning on January 1st and ending on December 31st. "What reflections or arguments there are in it are only made in passing." The reader of his book is placed in a similar position to the reader of a series of contemporary newspapers. The events come and go, and the news flows in as smoothly as it flows into Fleet Street in 1955. It is true that February gets 32 pages and November only 8, but Mr Postgate has not at his disposal the pile of features and extras that make one day's newspaper as big as the next. He was no doubt relieved when the approach of Christmas helped him to be more generous in allocating space to December.

It would be difficult to make 1848 dull, and this sprightly exercise in history without tears is often extremely entertaining. Unfortunately, however, Mr Postgate is over-concerned to raise laughs. The men of 1848 are treated with scant respect; so too are some of the historians who have written about them. We are told of Lord Palmerston, for instance, that his over-fashionable carriage was the equivalent of a modern sports car and that "those who said his whiskers were dyed were suffering from the same bitter and hopeless jealousy that makes young women say their prettier friend wears falsies." Remarks of this kind—and they spatter the book—are irritating examples of Mr Postgate's irrefragable urge to write down to his reader. He seems anxious not only to place his reader in the position of a newspaper browser but to make sure that the newspapers are of the most popular variety. He is willing, too, to dismiss serious attempts to understand 1848, like that of Sir Lewis Namier, as "petulant" or "frivolous." The word "frivolous" seems far more applicable to his own writing.

The best parts of this book are those concerned with English everyday life

and the threat of Chartism; and the illustrations are uniformly excellent. One of the best comments made on the year at the time was that of Lady Franklin in an undelivered letter to her missing explorer husband. "Louis Philippe is dethroned and an exile in England, a fierce democracy ruling France, almost all the Kingdoms of Europe in commotion, England alone steady and erect." It needs more than the history of a year to give meaning to this most powerful contrast of 1848.

Royal and Ancient

A HISTORY OF GOLF.

By Robert Browning.
Dent. 248 pages. 25s.

MR BROWNING'S book will suffer a little unfairly by comparison with the history of golf by a symposium of distinguished writers which appeared three years ago. It is a graceful, witty and comprehensive study of the game, written from the author's background of forty-five years' editorship of *Golfing*, and blending his love of the game with affection for its personalities and respect for its history. There are good grounds for supposing that golf had its origins in the game of chole, which was being played six centuries ago in Flanders. Five centuries ago a succession of Jameses of Scotland were banning "golfe, or uther sik unprofitable sportis" because they were interfering with military training. And the foundations of the great clubs—the Honourable Society of Edinburgh Golfers, the Royal and Ancient, and Blackheath in the south—have a venerable antiquity of two hundred years.

There is plenty of history in the game, and one of Mr Browning's gifts is to set it as a friendly and scholarly background to the golfer's present-day experience. Within his memory, St. Andrews' links were open to all and free. No one could call the present green fees for the Old Course exorbitant, but the Scots have managed to hang on to cheap (or cheaper) golf much longer than the English. The expensive sets of matched clubs, the trolleys (the caddie almost extinct, and the electric buggy, thank heaven, not yet on the dollar import list) the balls at up to 4s. a time, and the general rise in club subscriptions—all these are formidable problems for the new recruit and the ingrained addict, as well as to club managements. Let us hope that they have something to spare for this book; they will be better golfers and better characters for reading it.

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ISLANDS IN DANGER.

By Alan and Mary Wood.
Evans. 255 pages. 15s.

THIS is a glittering patchwork of quotations from existing official German and English documents, of conversations recorded "verbatim" after more than ten years, and of the testimony of members of the occupying forces recorded in Germany after the same long interval. Can this mixture, exciting though it is, be regarded as an authentic wartime history of the Channel Islands, the only British territory to be occupied by the Germans?

On the day of release from German occupation, there landed in the Channel Islands officials from Whitehall "armed with bowler hats and brief cases," say the authors; but they do not tell of the wild cheers and almost hysterical laughter which greeted this beginning of the return to normal. This warm welcome was significant, for it was confirmation of the islanders' intense loyalty to the Crown; neither threats nor rewards ever stopped them from proclaiming their belief in ultimate victory. Throughout the occupation, the character of the islanders did not alter. More emphasis could have been placed by the authors on this fact, though a reasonable raising of the highlights and darkening of the shadows has produced a truly enthralling account that is certainly the most colourful of all occupation records. Undoubtedly the most vivid of the many descriptions is that of the islanders' anguish of indecision, as the enemy

raced across France, whether to stay under Nazi rule or to risk the envisaged air-raids in English cities—if not actual invasion—without a home or means of livelihood.

We learn that Hitler had a personal interest in the islands; their future was discussed at his conferences and on his instructions they became "an impregnable fortress." The authors rightly give the impression that the behaviour of the German troops was with rare exceptions proper; the Gestapo, they say, were not there, and the islanders "were spared anything worse" than the secret military police. But it was bad enough. There are harrowing accounts of the fates of the foreign workers said to number 18,000 in the islands, and of certain islanders in the German concentration camps—for many showed their pugnacity; throughout the occupation there were escapes successful and unsuccessful, and suffering among those who had helped and remained. Perhaps the worst time for the people came after France was again in Allied hands, for then began near starvation and the rapid dwindling of medical supplies. The contents of the book will revive memories both terrible and amusing for those who "were there."

The reader should bear in mind that this exciting book may be a mixture of history and hearsay and if he feels so brave as to pass judgment on the islanders' reaction to the occupying forces, he should ask himself if he would have acted differently had the Germans occupied his own country.

In an Old Garden

FRUITS AND FLOWERS.

By Pierre-Joseph Redouté. Edited by Eva Mantering.

Ariel Press. 40 pages. 30s. Cloth bound 45s.

OLD CARNATIONS AND PINKS.

By C. Oscar Moreton. Colour plates by Rory McEwen.

George Rainbird. 62 pages. £3 3s.

THE process of adding the fourth dimension to present-day gardens is carried a step further by these two books. Both come from publishers whose recent publications have, by their researches into the history of flowers and flower-painting, stimulated the average gardener's awareness of time as distinct from seasons.

"Fruits and Flowers" contains twenty-four excellent colour reproductions chosen from Redouté's *Choix des plus belles fleurs*, first published in 1827. These exquisite paintings have an appeal so universal that no-one can look at them without a stab of pleasure, tinged, perhaps, with amusement at the occasional very bogus-looking dewdrops. Brief historical and horticultural notes accompany each plate.

The Reverend C. Oscar Moreton's book on "Old Carnations and Pinks" is the result of many years' affectionate research into the history of these two groups of the dianthus family. Every

known surviving example is described and there is a fascinating list of show carnations and pinks grown by the nineteenth-century florists, running into several hundreds, many of them with names linked with the events of their day, such as Blucher and Bellerophon and, later, Reform and Radical. Mr Rory McEwen has been remarkably successful in capturing the endearing character of these modest but sturdy flowers. His paintings, in consequence, are as beguiling as their subjects.

The book is beautifully produced and attractively written, with its talk of "bizarres," "flakes" and "picotees." While it may not appeal to the general public as much as the Redouté volume it will be of great value to gardeners and breeders. For it is not concerned only with the past, but is intended to stimulate breeders to discover anew some of the wonderful transformations of which these flowers are capable. This would be a real service, since the number of carnations and pinks in general circulation is small and those available from nurseries even more restricted. It is encouraging that several of the leading nurserymen have agreed to give serious consideration to a list being prepared by the Institute of Landscape Architects, of plants which professional designers would like to see in assured supply.

Boswell in His Stride

BOSWELL ON THE GRAND TOUR.

Italy, Corsica and France 1765-1766.

Edited by F. Brady and F. A. Pottle.
Heinemann. 411 pages. 25s.

BOSWELL has now reached the fifth lap of his long-distance race. The brilliant opening sprint, in the "London Journal," was followed by some uneven running in Holland, but with the second volume of the Grand Tour he has settled into his stride.

As Mr Brady points out in his introduction, Boswell's main concerns at this time were "sex, religion and politics." His attitude to all three subjects is full of vagaries. Approaches made (unsuccessfully) to an aristocrat twice his own age are followed by a more conclusive affair with an opera dancer; the colourful attractions of Roman Catholicism war with the austere Presbyterianism of his upbringing; and the strongly monarchical Tory laird is also the devoted correspondent of John Wilkes, who was actually outlawed at the time. But, after all, he was only twenty-four, and an unusually introspective twenty-four. His self-admiration is tempered by periods of merciless self-criticism, with admonitions for his shortcomings and good resolutions for his future behaviour. His pre-occupation with his own personality would amount to narcissism were it not that the face he sees reflected is far from unblemished, and he records it warts and all.

He is Everyman with a difference. The mirror which he holds up to nature reflects some qualities of all men, but his unbelievable lack of self-consciousness allows him to write things of himself that most men would try to banish even from their thoughts. This makes him a fascinating figure, but his lack of selectivity also makes him, as he is presented in this book, more suitable for sporadic than for sustained reading.

Nevertheless, he is usually sensible, and always interesting, and there is an occasional flash of prescience, as, for instance, when he wrote to Wilkes: "Could my feeble mind preserve but a faint impression of Johnson, it would be a glory to myself and a benefit to mankind."

The new volume shows Boswell's work in a variety of dress. Beginning with a long letter to Rousseau, it continues through memoranda and notes, letters to friends, and sections of journal fully written from his rough notes and jottings of conversations. A large section of the "Journal of a Tour to Corsica" is included, and the narrative ends with Boswell back in London and recording a characteristic conversation with Johnson and others at the Mitre. As usual, the editing has been carried out with meticulous care, so meticulous that we are informed that *sub umbra* means "in the shade" and that Adam Smith wrote "The Wealth of Nations." But Messrs Brady and Pottle are doing us proud, and there can be no serious complaint.

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Mind of a Miler

FIRST FOUR MINUTES.

By Roger Bannister.

Putnam. 224 pages. 15s.

GREAT middle and long distance runners are of three kinds. There are the determined automatons who grind their stomachs into steel by incredibly hard training, a group to which the Iron Curtain runners and Gordon Pirie in this country belong. There are the gifted young men with equally gifted temperaments, whom Christopher Chataway typifies and represents. And, finally, there is the highly strung, thoroughbred racehorse type, the greatest examples of whom in our time have been the two miling medicine men, Dr Jack Lovelock and Dr Roger Bannister. In this book Dr Bannister tells his story, with astonishing maturity for a man still in his middle twenties and with only occasional prolixity to mar an intelligent literary style.

His schooldays, he frankly reveals, were of the sort that many of his admirers on the track had half suspected. "Until I was about thirteen," he writes, "the week often ended with a nervous headache and an attack of violent sickness"; life was just "one big blush." He took up running as a school-boy at least partly because it was socially necessary for a natural swot to find something to excel at beside class-work; and he believed that "industry and perseverance, without any great natural aptitude, bring greater success in athletics than is possible in ball games." This belief played an important part in his career, and in his training methods. Much of this absorbing book is taken up with describing the efforts he made to bring himself to peaks of mental fitness for his most important races, and particularly for his famous last lap pounce. Sometimes, when his nerves were under control, this "pounce" went smoothly. Thus, as the runners came up for the last lap of the final of the 1,500 metres at the 1954 European Games: "My mind remained quite cool and detached," writes Dr Bannister, "it merely switched over the lever, and well-worn channels carried to my body the extra

energy that my mind unleashed. As I came down the finishing straight I was running with all the speed I could possibly have mustered. . . . Sometimes, when something had happened to upset him, failure was as preordained as this triumph. The full tragedy of the 1952 Olympics, and of the last-minute change in semi-final arrangements that clearly drove him very near to the point of psychological breakdown, is revealed in a statistic that Dr. Bannister publishes here for the first time. Ten days before Helsinki he ran his last secret time trial, a three-quarter mile in the fantastic time of 2 minutes 52.9 seconds. British athletics fans will gnash their teeth in thwarted disappointment as they read of this time. It does not only mean that, but for the change in heat arrangements, Dr Bannister must have won the Olympic 1,500 metres; it means that then, but for the breakdown, he must already have had the four-minute mile at his mercy. The training effort that carried him to the Oxford Mile nearly two years later, and to his last great season of 1954, was merely a mental effort to build himself back into the peak condition that he had reached, but had been unable to make use of, at that time.

Is his thesis that great miling is mainly a mental process really right? Or is Roger Bannister merely a man who had certain exceptional physical attributes, which nervous disorders prevented him from utilising on all occasions to the full? On this, there can be two opinions. But there need be no two opinions that his belief makes this a much more absorbing book to read than the usual, and rather bovine, run of sporting reminiscences. If the most surprising people are to be seen walking around the streets of British cities in the next few months, pulling the most surprising faces, passers-by should know the explanation: the people behind the faces will be readers of this book, running in retrospect with Dr Bannister round the first three laps of his famous miles, summoning up in daydream the nervous energy for that conquering last minute pounce.

Amateur Jung in Africa

THE DARK EYE IN AFRICA.

By Laurens Van der Post.

The Hogarth Press. 159 pages. 8s. 6d.

"I WANT to suggest," Mr Van der Post told his audience at the Psychological Club at Zurich, where this lecture and discussion occurred, "that unrest in Africa, in all its aspects, European, cosmic, global and African, is plainly an extension of our own individual unrest." This quotation sums up Mr Van der Post's thesis; but it is very far from plain, at least to the reader unversed in, or unconvinced by, the Jungian view of life. He makes, for example, a distinction between time, linear, as the impoverished European intellectual thinks

he experiences it, and time, absolute, as a dimension of "primitive" African experience (the quotation marks are in deference to Mr Van der Post's sympathy, not misplaced, for the joys of the bushman's life). This baffled even a Jungian audience, and Mr Van der Post's further explanations frankly conceded that "time made meaningful in life" and not a mere measure of duration was a mystery, with which the fortunate African had not yet lost contact, but the over-cerebral European had. Hence much misunderstanding between the two races.

Mr Van der Post's use of the idea of projection may be a little easier to grasp. Within the white man, in accord-

ance apparently with the Jungian doctrine of "personas," lives a "dark brother," a fount of instinctive experience and reactions, but a counterpart to the intellectualised soul of the white man, a counterpart which he rejects increasingly. In rejecting it he finds, when in Africa, a convenient object on which to pin it and personify it, with all its hidden terrors and threats—the blackskinned native. Hence the white man thinks of the African as being everything that he rejects in himself. The African, however, is not equipped with a "white brother" in his dual psyche (so much for Blake's line "And I am black, but oh! my soul is white"). He too has a dark brother, and it is his compulsory suppression of this under European rule which is now driving him from time to time to such excesses as Mau Mau. Where, asks Mr Van der Post, do we think all the psychic energy that went into massacres, migrations and orgies, which in their turn kept the African from building toilsome civilisations in the days of his innocence, has gone to, under the Pax Britannica? Where, indeed?

Once the reader accepts Mr Van der Post's premises—that all men (and women) are dual, do project on to external objects the rejected traits of the unconscious, and are deeply at one with

their national myths—much of the argument is ingenious, and, here and there, distinguished by flashes of deep insight. But as an analysis of present discontents in Africa, it leaves us much where we were—a plea for a better understanding both of ourselves and the coloured races which could have been put more shortly. And Mr Van der Post's messianic idea that Africa was waiting for the white man some centuries ago, credited him at first with godlike powers and is now deeply disappointed in him is poetry rather than history or anthropology. In fact, as on one page Mr Van der Post says he experienced the first breathless hush of the white man's African reception himself, and on another traces back his ancestry to the first Dutch settlers at the Cape, it must be poetry if it is not to be called plain bunk. Mr Van der Post is a distinguished literary figure in his country (he denigrates South Africa's literary achievement rather unnecessarily; it is rather in other fields of western culture that the Union seems so sterile) but his friends and admirers will hardly feel that this book has enhanced his reputation. They will await the more eagerly another plain tale of exploration with overtones of spiritual adventure, the genre in which he excels and entertains.

For the Old and Infirm

THE ENGLISH ALMSHOUSE.

By W. H. Godfrey.

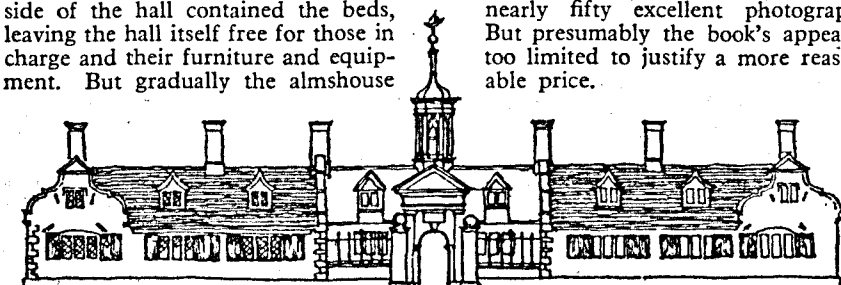
Faber. 95 pages + 48 plates. 36s.

THE growing number of old people in the population, and the difficulty of housing them, have revived interest in the almshouse, the community's time-honoured way of providing for its aged and infirm members. Mr Godfrey's book in no way attempts to give a history of the almshouse or to discuss how best those surviving today can be used in present circumstances. He has instead made an architectural study of them, emphasising the care with which they were planned and showing how the design altered to meet changing needs.

The earliest almshouses were essentially hospitals, from which some of today's great teaching hospitals have sprung; they provided shelter for poor travellers as well as caring for the sick and the infirm. The typical design was that of the monks' infirmary of a monastery: a large hall opening into a chapel at the east end. The aisles along each side of the hall contained the beds, leaving the hall itself free for those in charge and their furniture and equipment. But gradually the almshouse

benefactions acquired a new purpose: to provide a home of rest for a resident community of old people instead of temporary refuge for the sick and the weary. Thus even before the Reformation, examples, such as at Ewelme in Oxfordshire and St. Cross at Winchester, can be found of what later came to be regarded as the typical almshouse—the small separate dwellings grouped round a quadrangle. This is certainly the most picturesque design, but in fact most almshouses consist of a little row of identical cottages, perhaps with a small chapel in the centre, quite plain except for ornaments perpetuating the name of the benefactor or reflecting the characteristics of the beneficiaries—a ship, for instance, as a weather vane in an almshouse for fishermen.

England is particularly rich in almshouses, and Mr Godfrey has taken examples from all over the country. His text is straightforward and copiously illustrated by plans and drawings, mostly by himself (one of them, the fishermen's hospital at Yarmouth, is reproduced on this page). There are also nearly fifty excellent photographs. But presumably the book's appeal is too limited to justify a more reasonable price.



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Clash of Symbols

PAUL NASH.
By Anthony Bertram.
Faber. 336 pages. 42s.

"PAUL NASH'S work... will survive our poor attempts to explain its mystery." Mr Bertram prints these words of Sir Herbert Read's on his title-page, but he is not warned by them. He has an admirable subject: a painter of equal charm and talent, a born letter-writer and a lucid commentator of his own work. If he had been willing to marshal the ample evidence and to stand back modestly, giving more space to Nash and less to himself, he could have produced a most delightful book, given the thoroughness of his research and his talent for exposition. Unfortunately he is more ambitious: he aims both to paint a portrait and to stand well in its foreground. Even the narrative part of the book, which is clearly done, suffers from a rather pompous injection of the first person; small displays of learning and explanations of method scatter the pages, and distract as much as the wobbly shadow of a pointer on the screen.

But that is a small matter compared with Mr Bertram's analysis of Nash's pictures, which occupies more of the book than the narrative. Here he almost blots out his poor subject. He deploys a cumbrous apparatus of symbolic theory, based on Catholic authors from St. Thomas Aquinas to Maritain, into

which Nash (not a Christian at all, it appears) is squeezed willy-nilly. Supporting passages are quoted in several languages from Mr Bertram's (not Nash's) favourite poets. As the book proceeds, he gives more and more importance to the symbolic value of the pictures; at the end, where Nash's sensible comments on his own pictures conflict with Mr Bertram's theories, he is soundly scolded and told he is wrong.

It would have been better if Mr Bertram had not explained so much or so dogmatically. Why must Nash be saddled with esoteric significance at every point? His central passion was painting. Outside that he had a brilliant will-of-the-wisp mind, but never went very deep. Why should he? There were symbols, ideas and what-not; he was influenced, in choosing his subjects, by his reading; but the interesting thing was the picture that emerged, not the magpie collection of thoughts and objects which Nash used in its construction. To seek the main pattern of his life in the analysis of this collection is to ignore the building for the scaffolding. We can leave the last words to Nash:

Objects to me are all the same in the end, i.e. part of a picture, but primarily a pictorial part not merely symbolical.

The book is attractively produced, with reproductions of Nash's work; and its quotations from his letters are a delight.

Life of a Genius

PORTRAIT OF VINCENT.
By Laurence and Elisabeth Hanson.
Chatto and Windus with Secker and Warburg. 309 pages. 15s.

UNLIKE Mr Bertram's study of Paul Nash, this life of Van Gogh is purely a biography. The authors disclaim any attempt at art criticism as such, though clearly any biography of a painter must relate his work to his life as it was led at the time. And their specified aim—a non-technical biography of Van Gogh for those who love his paintings—has been extraordinarily well carried out.

Probably all that most of the people the Hansons have written for know about Van Gogh is that his genius was unrecognised in his lifetime; that he was consequently poor and despised; that at Arles he cut off his ear and went mad and was shut up in a mental hospital where he painted many of his most successful pictures; and that he eventually committed suicide at the age of thirty-seven. The Hansons paint a rich canvas out of this sketch. They show his slow groping for the means of expressing his genius; at one time he thought he was destined for a life of religious asceticism, and he did not begin to paint until he was twenty-seven, although he had spent his early youth working in art galleries. But after the revelation had come to him, he gave to

painting the same singlemindedness that he had previously given to reading and to his mission among the miners of the Borinage. He studied drawing with fanatical intensity, and in his last years painted as a man possessed, scarcely pausing to eat or sleep, pouring out his soul on canvases by day and in letters by night.

For Van Gogh's life is exceptionally well documented, and the Hansons have made full use of the complete edition of his letters. Yet, as they point out in an illuminating epilogue, although he puts all his feelings into his letters, he does not always reveal his true character in them. They sometimes make him appear reasonable and accommodating, anxious to please and misunderstood, whereas it is plain from the whole story of his life that he could not live with anyone without incessant quarrels and recriminations. The story of his persuasion of Gauguin—against the latter's better judgment—to share with him the little yellow house in Arles and the quarrel which led to the first mental breakdown is most sympathetically told.

Van Gogh is a fascinating character, and the fascination and speculation remain after this book is finished. What was the exact nature of the mental illness, into which he had considerable insight, but which eventually destroyed him? Must a genius like Van Gogh's always be self-annihilating, or can it be

protected against itself? If Van Gogh had been shown more kindness as a child, more tolerance later, would he have ended as he did? One fears so, for in fact he had one person who always believed in his genius, was always intervening for him, was his financial and moral prop all through his short life, and who died from the shock of his suicide. The real hero of this book is not Vincent, but his brother Theo; more than a mere Horatio—he himself had his share of the family neurosis—he was wise enough to see that if society is to have its geniuses someone must shoulder the burden of them and accept them as they are.

Etruscan Sites

THE BURIED PEOPLE.
By Sibylle von Cles-Reden. Translated by C. M. Woodhouse.
Hart-Davis. 248 pages. 35s.

GLANCE at the bibliography of this delightful book is instructive. It shows that the vogue for the Etruscans really began in the 1930s and has been growing rapidly. This suggests that we are at the very beginning of a long road and that the failure of Etruscology to advance very much beyond its point of departure is natural. Neither the vexed question of the origin of the Etruscans nor a satisfactory solution to the problems of Etruscan philology have evolved much beyond Ducati's study of 1938 or Pallottino's important summary in 1939. Theories are more sharply defined and partial readings of the Agram text seem better established, but the great mysteries remain and Frau von Cles-Reden's title, "The Buried People," is true in more than one sense.

Precisely because traditional methods of epigraphy and correlated chronology are extremely uncertain, the student of the Etruscans must rely above all on an intuitive sympathy with Etruscan art, on a delicate sense of the archaic. That is why men who have not been trained archeologists have felt drawn to Etruria and its gnarled hillocks, whose decaying medieval towns are set on Etruscan foundations. That, also, is why D. H. Lawrence's study of Etruscan sites is still the finest available introduction to Etruscology. Frau von Cles-Reden not only omits Lawrence from her bibliography but challenges him on his own ground. Like "Etruscan Places" her book is a study of the Etruscans seen through a series of visits to their various sites—Caere, Tarquinia, Vulci, Veii, Orvieto, Volterra and that mysterious region around Lake Bolsena.

"The Buried People" falls rather precariously between two genres, that of the guide-book and that of the archeologist's survey. It is marred, too, by occasional bursts of over-enthusiasm. And, surely, a book that relies so heavily on visual impressions should have plates of the things on which it dwells most lyrically, such as the Basilica of San Flaviano near Montefiascone. But there are small points to set against 81 superb photographs.

Around the Adriatic

THE ADRIATIC SEA.
By Harry Hodgkinson.
Cape. 256 pages. 21s.

WHILE climbing "frightful paths" through lentisk and arbutus behind Valona Bay on the Albanian coast, Mr Edward Lear recorded that he looked back on a scene "than which one more sublime... I do not recollect often to have noticed." But it is not only its exceptional natural beauties that distinguish the Adriatic and make Mr Hodgkinson's choice for a book such a happy one. The works of man scattered around the Adriatic coast are also extremely rich and varied. It possesses, moreover, greater unity, both historically and geographically, than most seas; yet its position, which for centuries, until the discovery of the Cape route, made it into a great international highway, has ensured that its connections are far-reaching and its affairs of much more than local significance.

The book is divided into two parts. The first and longer part is a survey of the history of those who have lived around the Adriatic and their relations with each other. In the second part, the reader is taken for a conducted tour right round the Adriatic coast and there is a wide—perhaps too wide—variety of diversions on the way, from the intricate details of Dalmatian national costume to the fortunes of Bari during the last war, from the achievements of Frederick II in Apulia in the thirteenth century to those of the poet-priest ruler of Montenegro, Peter Petrovic Njegos, in the nineteenth.

The historical survey is on the whole very well done, although the author does not always succeed in banishing that sense of confusion and ennui that potted history—however skilfully potted—seldom fails to arouse. But there are almost always compensations. Anyone, for instance, who finds the details of the naval manoeuvres in the Adriatic during the Napoleonic wars slightly tedious can always console himself with the gallant Captain Hoste, who sailed the Adriatic in his frigate *Amphion* in search of glory and "pewter" (i.e., prize money) and often found "pewterizing" a sadly unsatisfactory game. One of the most entertaining chapters describes the efforts of the great medieval cities round the Adriatic, like Venice, Ragusa and Bari, to boost their power and prestige by obtaining the remains of some suitably impressive and wonder-working saint. Indeed, the descriptions of these cities, throughout their history, and not only of their physical appearance but of their character, as the author sees it, is one of the best things in the book.

Mr Hodgkinson always writes with liveliness and great self-confidence (the ancient Romans with their "parasitic and overblown capital" are given a particularly sound drubbing), and this is refreshing even though it sometimes leads him into making judgments that are too sweeping and too slick. It is a pity that the excellent map and photographs are not completed by an index.

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National Heritage

THE NATIONAL GALLERY, LONDON
 Text by Philip Hendy. 100 reproductions
 in full colour.
 Thames and Hudson. 194 pages. £6 6s.

THIS is a beautiful book, so beautiful that it almost defies review. Those who have not easy access to the National Gallery may well maintain that even a poor reproduction in colour is preferable to one in black and white. Those who have may think that only the best is permissible. Both classes should be satisfied by this book. The reproductions have been done with such care (it is interesting to note that the block-making as well as the printing was carried out in this country) that their first effect on the reader is startling.

It is only a pity that the care and time that have obviously gone into the plates have not been extended to the book as a whole. For there are signs that its completion has been rushed through, presumably to catch the Christmas market in this country and in the United States. The list of corrections, which includes simple misprints and a dropped line, implies scamped proof-reading. The lay-out of a book of this sort, where the main object must be to give pictures of varying shapes and sizes ample breathing room, is certainly difficult. But one wonders whether the

publisher's solution is always the right one, for it has the effect, in some instances, of making the text look unnecessarily cramped into the bottom of the page. The publishers might also have asked themselves whether the line drawings in the margins of the introduction do not defeat their purpose.

But these are criticisms of detail which are not intended to detract from the general impression of delight. Those who may be disappointed not to find their own favourite picture reproduced will realise from the introduction by Sir Philip Hendy, Director of the National Gallery, that a picture's condition—in particular, whether it is not distorted by old varnish—largely determined its candidacy for reproduction. His text accompanying the pictures themselves is altogether admirable. Looking at books like this, which stand or fall by their illustrations, the reader tends to think that the text is unimportant and that it is concerned only with dates and facts about acquisition. The facts are certainly there, but Sir Philip gives us a great deal more besides. Writing austere but lovingly, he brings a picture most vividly to life. His readers will look with fresh interest at pictures they thought they knew well. They will also be persuaded to seek out those they have hitherto passed by.

Spoof and Super-Spoof

COUNTERFEIT.

By Sonia Cole.

Murray. 216 pages. 15s.

TOWARDS few types of deception is it possible to entertain more widely different feelings, according to circumstance, than towards these collected in this volume under the general heading of "Counterfeit." The Dreyfus "bordereau" stands for the blackest and most unredeemed villainy; Van Meegeren's "Supper at Emmaus" rouses unholy joy and unending speculation on the relation between aesthetic value and authenticity; the Portuguese Bank Notes case (some of whose most hilarious features are omitted here) prompts the reflection that the perpetrators, however reprehensible their motives, did Portugal a very good turn according to the best Keynesian principles; for Thomas Chatterton one can feel nothing but compassion; for that juicy old rascal Flint Jack, who made a career out of faking prehistoric arrowheads and had a fellow-craftsman's profound respect for his predecessors, one has a warm affection; over the Piltdown Story, or that of the Browning first editions, one lingers in a state of not disagreeable psychological mystification. Miss Cole has cast her net wide. Glozel and Lübeck, Moulin Quignon and Calaveras, the "thirty thousand manuscripts" (including letters signed by Pontius Pilate and Cleopatra) palmed off on the unfortunate professor Michel Chasles in nineteenth-century Paris, are

treated at length; even impersonation, as in the Tichborne case, is included. She tells her necessarily complex story quite straightforwardly, without either pedantry or sensationalism; and it is hardly her fault if after a first reading one is not immediately qualified to summarise the evidence in the Piltdown case or the exact relationship between Malskat, the Lübeck muralist, and his almost unbelievable impresario Ley. Those who study to deceive are apt (unless they are as simple as Flint Jack) to weave a web quite as tangled as any unravelled by Mr Freeman Wills Croft's Inspector French; with the agreeable result that one can pleasurably go back and read the story all over again. A chapter on methods of detection should sufficiently discourage anyone inclined, after exposure to so massive a demonstration of human gullibility, to produce a few Missing Links, historic documents, or lost artistic masterpieces on his own account.

Two missing chapters cry out to be written. One—a delicate matter indeed—should deal with bogus religious relics; how many "pygges bones," one wonders, have been discreetly removed from public veneration since the days of Chaucer's Pardoner, and to the accompaniment of what muted but furious recriminations? The other should treat of spook-mongering in all its manifestations. On second thoughts, the Sludges deserve a book to themselves. Miss Cole should think seriously about bringing their story up to date.

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What Makes a Manager?

Are They Born or Made?

NOBODY knows exactly how many managers there are in British industry or commerce, or how many recruits are needed yearly, or what kinds. The Urwick committee on education for management thought there might be 400,000 to 450,000, demanding an annual replacement of 12,000 a year. But it offered no breakdown into top, middle (or departmental) and junior grades (certainly included in such big totals), or any analysis of the needs of large, medium-sized and small firms. As a "profession" surprisingly little is known of management, or its adequacy in quantity or quality for its professional duties.

For some years, however, the demand has been growing for better training and use of managerial talent. It is alleged that much British management is not good enough, and that unless improvement is planned now, the gap between British and American managerial proficiency will be almost unbridgeable in ten or fifteen years' time. Few business men can have succeeded entirely in stopping their ears to this plea. They are certainly aware of the growing difficulty of getting hold of "the right type of man"—especially when, as not infrequently happens today, it costs several thousands in advertising to fill a half a dozen vacancies. The demand for managers grows as production rises and mechanisation increases the proportion of managers to other ranks; as big business ramifies; as weak industries "man up" in administration to meet new conditions. The pregnant words "executive development" and "managerial succession" can be heard nowadays, if still a little tremulously, on the lips of chairmen and managing directors.

But of how many? What impact has the "managerial movement" really had? Or deserved to have? The market for managerial talent is a free one, and business men of the old school may argue that now, just as a century ago, it is for prosperous firms to bid high enough to cover their needs of men "of the right type" as for the other factors of production, and queer street take the hindmost. Is there, they ask, anything to plan—any problems beyond those of creating the conditions in which private enterprise thrives? The supply, on this argument, will respond to the demand in cash and career values—as in the nineteenth century when business had no need to organise the education of accountants, company secretaries or production engineers.

There is common sense in this view. But it ignores the family firm as the dominant institution for reproducing, incubating and multiplying the business elite in the past; and forgets that with the decline in the "family firm tradition" other arrangements may be necessary. It forgets, too, that if business is too far behind the times to create a market in new technologists or specialists, the universities may not be able to breed a large supply suddenly when it wakes up.

But whereas time has completely converted industry to the need to co-operate with universities, technical colleges, the Ministry of Education and even the schools in training technologists, the shortage of which business men regard almost as a national scandal, nothing like the same enthusiasm for training in management (whether for technicians or specialised administrators) is visible. Does this mean that industry does not believe managers can be trained; that it thinks that on the subject of business Shaw was as right as he was wrong about science or medicine when he said "those who can, do; those who can't, teach"?

★

If Shaw was right, a good many earnest reformers have been on the wrong track for a long time. Even before the war, the "management movement" was gaining momentum, importing its inspiration and some of its jargon and textbooks from America. A number of quasi-professional "institutes" of specialised management were formed, with letters-designate and voluntary examinations. A few universities began to experiment with courses modelled on Harvard Business School methods. The—still unorganised—profession of management consultancy made its appearance. Sales resistance among business men made its appearance simultaneously.

Upon these foundations, the postwar offensive was mounted, and carried the blessing, and a subvention, of the Labour government, which was learning about management in Tanganyika and elsewhere. The British Institute of Management took over the institutes and was made jointly responsible with the Ministry of Education for the Urwick scheme of what was rather carefully called "management studies" in technical colleges, a five year part-time course

leading to a diploma in "general management qualifications." The Administrative Staff College was started at Henley, and other residential, part-time and other courses in management were inaugurated. An unknown, but large, number of young and middle-aged men have taken courses of some kind over the past ten years. Some 1,500 students are taking the BIM/MOE management studies course and perhaps a further 1,500 other courses; American business schools produce 70,000 business degrees annually.

A fillip to the campaign was given by the Anglo-American productivity reports, many of which stated or implied that British management as well as technology lagged behind American; and the further inference (rightly or wrongly) was drawn by the Report on Education for Management which "was deeply impressed by the steps taken by American business to educate, train and develop its future business leaders," and was convinced that "these efforts have had . . . a vital bearing on American productivity."

A growing number of firms have sent their people on courses, joined the BIM and "shown willing." They include many of the names which are a byword for efficiency. Though a small minority, they are numerous enough to fill most courses that are offered by technical and staff colleges.

★

But even the lead given by some of the largest firms has not changed the ways of even a sizeable minority of British businesses; has no more than dented a widespread attitude of disbelief or indifference. Some of the reasons for this, as will be shown, lie with the training facilities and a fatal atmosphere of "uplift" which surrounds so many projects. But the bedrock reason lies in the questions: Are managers born or made? Is management an art or a science? The majority of British top executives are not convinced that the results to date have shown that managers can be made or that management is a science which can be swotted out of books and attested in examinations. The idea of a diploma is for them, mostly self-made men, the final absurdity. It is indeed quite possible that many of them would fail the final examinations, which range from functional factory organisation to higher cost control.

The reformers, on their side, have tried hard to coax the doubting industrialist over this *pons asinorum*. The Urwick report itself, they remind us, denied "that young men or women can be trained as managers . . . by following certain courses of study at Technical or Commercial Colleges." It is not worth recapitulating in detail arguments based on the use of so many undefined terms. They boil down to two:

- (1) Managers may be born so far as indispensable personal qualities of leadership and enterprise are concerned; but this endowment itself varies, and it can be supplemented and better directed by training in management.
- (2) Granted the exceptional man is a law to himself, industry has got to use a lot of second-class but valuable administrative talent, which certainly can be "made" to a great extent.

The reply amounts to this: that top managers, especially the great entrepreneurs, can do without formal teaching, but that departmental managers can be made, and, in fact, always *are* made by some sort of training, good or bad. They would be made more efficiently if the training were better. Furthermore, if the mantle of top management falls on them *faute de mieux*, they will rise to the job all the

better for having been well-trained departmental managers. A recent guide to "Training and Education for Management" issued for the steel industry and dealing with the interlocking of internal and technical college courses speaks significantly of "departmental management" only.

This is perhaps a sign of a growing conversion to the view that British middle management could be improved by more formal training in administrative method. There are cogent arguments to support this view. Specialists and technologists cannot run departments or co-operate in running them unless they have more grasp of organisation, and are able to get on terms with the firm's accountants, lawyers, planners and workers' representatives. For, like top management, middle management is getting continually more complex, and the job increasingly becomes one of organising "sub-specialists" as a team. The engineering institutions now nearly all require some "management subjects" for their final examination.

On the other hand, recruits to management nowadays have an independent approach. Increasingly they are men with university degrees, or with a specialised technological training, and they expect to be properly and progressively trained in the course of a business career, not pushed into one department, told the form, and forgotten, or left to sink or swim in the general maelstrom. So do public schoolboys. Most have served in the forces and have ideas of good organisation which they expect to adapt and apply. They expect an answer to the question "where do I fit in?" and some idea of the steps in the ladder upwards. These recruits enjoy a sellers' market and tend to take jobs where the promise of training make the promise of a career convincing.

★

Middle management is a critical sector. It is the training ground for the potential top executive, and it constitutes a field in which slow-maturing talent can be encouraged and spotted. If it is neglected, however, industry's loss is even greater than that inflicted by the poorer performance of its undeveloped middle managers. For it may give an impression of frustrated or dull third-rate people which frightens off the first-rate university minds which even die-hard top executives desire to attract into business.

But to suggest that it is in middle management that British business may be lagging, is not to say that any particular form of "executive development" programme is best; or indeed that any ready-made programmes are on the market. It does not imply that engineers or chemists who totally lack administrative ability can have it grafted on; or that a course of lectures in "human relations" will impart the highly prized managerial quality of "getting on with others" to a self-centred and unsympathetic personality. It is their grim awareness of this which makes so many top executives suspicious of anything "academic" even in middle management training schemes. But at the other extreme it is no less common sense to see that a man stuck for 20 years from the age of 16 or even 23 in one section of one firm in one town in one country may at the end of his "training" appear rather less capable of promotion and increased responsibility than he was at the beginning, even if he failed to storm the general manager's office during that time. The common experience of those doing work study is that it is often quite as hard to persuade the departmental manager as his supervisors and workpeople that changes would bring higher productivity and earnings.

Through T' Mill

YET the ironic fact is that the bulk of the effective management training above supervisory level done today is for top jobs. There are good reasons for this. On the one hand it is fairly easy to organise classes for foremen, of which there will normally be quite a number, and to decide what instruction they need, while on the other hand it is a straightforward and often enjoyable job to train brilliant men handpicked for promotion; but the middle group falls between stools. Above all, the traditional training for executives was worked out when middle management hardly existed—when most firms were family firms and management was control.

This method was to bring a man up the hard way. Either he was spotted as a "likely lad" on the workshop floor or in the counting-house, or he was a member of the family—son, nephew, perhaps son of a business acquaintance—in which case he started on the shop floor or high stool. Either type of neophyte was then given instruction by what is now called "job rotation" until he became personal assistant to one of the directors. A scion of the family rose faster, perhaps, than a "likely lad"; but for both teaching was by word and precept from an experienced man.

There are two points to be made about this simple system. The first is that, whatever its failures, it produced a phenomenal number of first-rate executives. Most of the chairmen and directors who are today considering what system of "executive development" to instal, if any, are the products of it. A research into management promotion methods in large firms, shortly to be published by the Acton Society Trust shows that of the 3,300 managers studied, 55 per cent started from the bottom and a fifth of them had only a primary education; seventy per cent of top executives had no professional qualifications. A third had been to a university—about the same proportion as in Germany. Top management's ideas on training are inevitably influenced by the fact that it went through the mill in the industrial conditions of the twenties and thirties, or even before 1914.

The second point is that going through the mill remains the main way in which managers are trained. Yet many firms cannot claim even to train on this simple model. An investigation of a sample of 112 firms in the north-western industrial area undertaken by the Department of Industrial Administration, Manchester College of Technology, showed that only 36 per cent of them had a training scheme which gave "systematic and conscious thought" to the assessment of its managerial needs, to the recruiting and training of future executives, and to "the creation of an individual programme with periodic progress review and the use of outside educational courses." The most that the remainder could say was that "they knew exactly who would be the replacements for every managerial casualty"—a bold claim.

The Acton Society research into fifty of the biggest firms revealed that a third of them took no interest in managerial development, and that the interest of the rest, such as it was, often dated only from the end of the war, when inexperienced, untrained men had often to be put into responsible positions. Formal schemes, whether they make use of technical college courses or not, are confined to a tiny minority of British firms.

But, of course, firms can thrive, and can find managers, without training them. Many take the view that "you

can't keep a good man down"—that a good man shows himself by finding out how the firm works, and that being self-assertive is the proof that he has "got it in him." Old-fashioned pushfulness is certainly a vital quality in many businesses, especially on the sales side; though good men may stay down also—push is not the sum of management. It is also always open to firms to buy the managers trained by somebody else; and this is a two-way traffic between large firms and small. Large firms may buy men self-trained in the process of making a success of a small unit; but small firms often buy specialised experience and wider know-how from big firms by offering perquisites, powers and prospects which the big firm, run nearly on public service conditions, cannot.

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Whether this inherited patchwork of methods to produce a supply of, and a market in, managers is adequate is another matter. There is a danger that as the "family tradition" in business declines, the personal interest in training, which is all-important, will decline with it; for the responsibility for looking after selection, recruitment and training on the board of a public company, or of a big private company where the "& Son" is an anachronism, is rarely coveted. It confers little power.

What drives firms to instal training schemes is, in fact, largely the need to promote, or recruit, men for positions of responsibility, especially when the firm is expanding. Sometimes the problem of succession is prominent; it is not uncommon today to hear an ageing managing director complain (but perhaps with a touch of pride) that he cannot find anyone to take over his task; that the older men offer no solution to the problem of continuity, and there are no good young ones (i.e., none have been trained).

The need to make better use of promotable material off the floor, and from the ranks of junior and middle management is brought home by the fact that to get young men from outside, firms must increasingly buy graduates. Any idea that industry likes this situation would be starry-eyed. A great many business men bitterly regret the passing of the old system of getting a boy straight from school, letting him take his national certificate in some technology if he could, and otherwise keeping his nose to the lathe until the time came to promote him. Graduates cost much more, and have to be told to forget a lot of what they learned, which means setting up a system of teaching them something different. But in any case, with graduates costing and expecting so much, and outside experience so expensive to pirate, there is sense in making sure that if you have got men of promise in the firm, you spot and promote them.

Departmental talent-spotting, the time-honoured selection procedure in medium and large firms, can be haphazard, and indeed downright unfair. Regular assessments of individual performance over a convenient period, usually a year, are becoming more frequent; firms with management structures numbering thousands can now hardly do without them. To find men on the floor or in junior management some firms advertise vacant jobs internally (besides it looks democratic). Recruiting from outside is changing also. Firms which do not advertise find that the flow of good applicants

tends to decline. Big firms increasingly think in terms of booking the best university talent before graduation; some offer paid part-time vacation work to undergraduates doing science or technology. One of the most important duties of personnel officers (or of directors charged with recruitment) is to maintain close relation with appointment boards, with principals of technical colleges and headmasters.

Job rotation and "learning by doing" is still the guiding principle of most existing training schemes, aimed mainly, as has been said, at developing men for senior posts. Investigation has shown that by far the greatest factor in a trainee's performance is the quality of the men under whom he works. This is, more than anything else, what determines the success of training; clearly it is this also which transmits a tradition of efficiency and humanity or the reverse. But industrial training schemes do increasingly include lectures on the firm's organisation, operations and policy; most emphasis is placed on tool subjects like works study, costing, and production control. "Crown princes" are often given a period in the works study or central planning department.

The major problem is how to give men a series of "little ship" responsibilities. A chemical firm may start a man in the laboratories, and let him work on a project which he will carry through to the pilot plant stage, learning as he goes something about costing as well as labour relations; he may then go on to small manufacturing plants. A trading firm, or an oil company, will have a series of branches of varying size in which men can develop as leaders. In engineering and motors, inter-department rotation is the rule; enlightened firms now send men temporarily to allied firms—suppliers or customers—to gain experience. The steel report recommends this. One advantage of collecting a variety of subsidiaries is that they provide training grounds for budding executives. Where men must be trained under one roof, the American system of making them act as assistant foremen, or in other such positions, is sometimes practised. Some firms encourage men to join small firms

where they will have top responsibility, with the intention of re-employing them later on. Finally, large firms now sometimes have their own "staff colleges" for advanced training; others hire colleges like Ashridge for a week at a time to get senior executives together.

But not all firms can pass managers through grades of responsibility, or give them any wider background, or successfully impart managerial training to specialists and technicians, or arrange staff courses. Their teaching also suffers because the subject matter is confined to one firm, and the spirit of criticism is lacking. But as a rule it is not until the firm's resources are proved inadequate that "academic" courses for supplementary training—except for foremen—are considered. The common attitude is summed up in the remark "When a man is in a rut, and there's a bigger job for him, we send him on a staff course somewhere for a fortnight or so. The lectures may be punk, but he meets new people, and the fact that he's been chosen and the firm is paying, boosts his morale." Most firms insist that they cannot spare men for long, and the use of a staff course is simply to "broaden" men trained in the firm. However, there can be no question that the short residential course to "broaden" managers has got a real grip on British industry. The salient example is, of course, the Henley Staff College course. This takes three months—a long period by most firms' standards—but is accepted by so many firms as the proper "postgraduate" course for a man being groomed for senior management that there is a long waiting list. Other colleges provide shorter courses.

On the other hand the proportion of firms who dovetail an internal training programme with a part-time technical college course, or run a sandwich course with an internal scheme and a technical college residential course is still small. But it is growing, as is shown by the rising numbers of part-time students. The idea that universities and technical colleges have something to give is at last taking root. But it is still a precarious growth.

The Academic Contribution

THERE is a story of a white-faced professor of economics who, asked by a colleague what had upset him, replied that he had lost his faith. His colleague, not knowing him to be particularly religious, looked surprised. The professor sighed, "I've been teaching economics for thirty years and only just realised that I've no idea how business men make a profit at all." "But surely," his colleague said, "they only have to compete with other business men."

This should perhaps be taken to illustrate the diffidence with which British universities approach the question of teaching business men their jobs. They offer no first degrees in management, and even the Bachelor of Commerce degree is being abandoned. This is not just because they regard management as vocational, but because they regard it as vocational without any core of basic intellectual discipline. Five universities offer postgraduate courses in business administration; but Birmingham and Glasgow lay the emphasis on production engineering, and only the London School of Economics, the Manchester College of Technology and the Dundee School of Economics offer anything comparable to the postgraduate courses given at Harvard. The teaching is at university standard; besides lectures

in subjects that require lecturing about, they use the case-study method in discussion seminars, link study-visits to factories with problems under discussion in the classroom, bring in business men to have their brains picked on their own specialties. They conduct research into business problems, and the small cadre of British "business professors" find themselves as welcome in industry, and their advice as sought, as their American opposite numbers.

Yet they are disappointed about the progress achieved. After 25 years the response from industry remains negligible. They desire to mix graduates (usually with degrees in economics or sociology) with men of 30 to 35 marked down for middle or senior management in firms and sent to the university for a thorough grooming and intellectual broadening. But it is painfully clear that industry is (1) completely unsold on the idea of losing promising men to the university for a whole year on such a course, and (2) while it will certainly take on graduates who have "done" business administration after their first degree, it is even keener to get the bright young men immediately after they have graduated. English students are unwilling to spend an unpaid year "doing" business administration

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rather than "getting into the works." The courses are an export business, patronised mostly by foreign students.

This is the more disheartening inasmuch as business men often praise American business education, and declare that they would send men to British universities if they were "as good as Harvard." But they are thinking of the Harvard advanced and middle management three-months' residential courses corresponding to Henley. They forget that American firms rely on postgraduate courses taken immediately after the first degree to train their middle managers.

Nevertheless, the leaders of the management movement are bitterly critical of the "failure" of the universities to provide business education; they blame the snobbery of the past and the vested interests of other faculties. They continue to think of first degree courses, of the type provided in ordinary American business schools—although Harvard rarely accepts such "graduates" for postgraduate study. According to *Fortune*, while the "business majors" outnumber the graduates of all other faculties except teachers, their average intelligence is the lowest of any.

However that may be, it was to fill this gap in British education that the scheme for management education at technical colleges to be jointly operated by the Ministry of Education, and the British Institute of Management was set up on the recommendation of the Urwick Committee. It was an ambitious scheme. The "professional" institutes such as the sales managers and office managers accepted a common intermediate examination with a syllabus framed by the Urwick Committee; students could then branch into more advanced specialised studies and take the appropriate professional examination or take a diploma in general management. Some 80 technical colleges undertook the teaching, and a vast expansion of staff and facilities took place—not only to meet this commitment but also to cope with the expansion in other technical and managerial courses of which the British Institute of Management has listed some 300.

The course for management studies is based on five years' part-time study—three years to intermediate level and two years to the diploma. It is now almost ignored by the professional bodies, and is taken for its own sake as a course in management by hopeful students. Since it was instituted so recently, it may seem unfair to judge the results; but, in fact, it is now widely regarded as an almost complete failure. The scheme is now under investigation by a "working party" set up by the British Institute of Management and the Ministry of Education. The fate of those who have gone through the course is to be the subject of a special research. It is probable that the diploma for general management will be abandoned; but the reshaping of the syllabus is giving difficulty.

The course can be judged by the quality of its students. Men with university degrees cannot stomach such elementary and theoretical stuff, so that its contribution to middle management must be negligible. It has, in fact, mainly attracted earnest self-improvers of the supervisory grades—indeed, the steel industry report recommends it for them.

Part of the reason for its ill-success lay in the impossibility of equipping the technical colleges to carry it out in so short a time. The full-time teachers often work far too long hours and try to cover far too many subjects; to range from management accounting to economics, development and design and "human relations" (psychology, of a sort) can amount to little more than reading what was in a text book to students who then write it all down again in notebooks.

The Ministry of Education makes sure that outside lecturers have good qualifications on paper; but the fees are low, and if the lecturers need them, they can hardly be very high-grade managerial timber. Such teaching, with little or no organised discussion, a dearth of good case studies, no visits to factories or any background of research may correspond to the performance of the poorer American business schools, and the Ministry may be satisfied that it is the best that resources permit: but it is not what the Urwick committee set out to achieve. Some university teachers think that the working of the BIM/MOE scheme has turned business men even more against an academic contribution to training for management than they were. If this is so, it is a bitter blow for the British Institute of Management.

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In the light of experience, it would obviously have been far better to have concentrated upon a few technical colleges and given them adequate resources to try out the scheme and—what is no less important—to experiment with it. The assumption that the part-time five-year BIM/MOE syllabus necessarily met practical requirements was unwarranted. Technical colleges which have felt their way with local industry in finding out what was wanted (rightly or wrongly) and supplying it, have done better. Their justification is their students; both Birmingham and Manchester Colleges of Technology, for example, see that they are getting promising young men from middle management to train, as well as supervisors and technicians. But they are careful how they describe their executive development courses for young men on the way up. "We don't claim to train managers," one principal said. "We sell a course at a fair price which fits local firms' arrangements, which we have studied. All we claim is that we can help them with their training." He added thoughtfully, "In theory, of course, we give a diploma. But nobody has ever seen it."

What, then, does industry want, to judge by the response? It would be impossible to assess the 300 or so courses given in the British Institute of Management's survey. Broadly, what industry will buy (in management not, of course, technology) seems to fall in these categories:

1. Part-time, residential, and weekend courses on general foremanship and on specialised supervision.
2. Part-time courses (covering 12 to 30 weeks) on practical subjects like work study or personnel management.
3. Part-time courses in executive development dovetailed into firms' own schemes, covering a year or less.
4. Short staff courses (say 4-6 weeks) of evening lectures on practical subjects.
5. General "broadening" courses for shop stewards and trade unionists.
6. Short "broadening" residential courses: at Henley for higher executives, and at the BIM or the University Summer schools, or other colleges, two weeks to three months.
7. Weekend conferences at Ashridge, Chesters, etc., arranged usually by such organisations as the British Institute of Management, professional bodies or firms.

This may seem a poor showing by American standards, even when the third rate business school training and the sillier conference activity is trimmed off; but it compares well with Germany, where the universities and *technische hochschulen* offer no more and are as short of teachers. Nevertheless, out of the money and effort expended on management education, disappointingly little has emerged so far. What can be done to find a better answer?

A Time for Experiment

IT is obvious that it will take a further period of experiment to work out processes of management training to suit British conditions. Neither the universities nor the business men show any inclination to develop anything like the American network of business schools. The most fruitful possibility seems to lie in the collaboration of the Colleges of Technology with local industries (the Colleges of Technology are freer to experiment than the technical colleges under the thumb of the Ministry). This in time should establish the relative roles of internal and "academic" training in the making of a manager of any particular grade. It will not come about by central planning, or by the sort of indiscriminate "do gooding" which backs any and every scheme or course on the grounds that even the worst is better than nothing. It will come about as the two parties most concerned—the industrialist and the teacher of management subjects—get to know each other's minds better.

The immediate task therefore is to improve the contact between classroom and boardroom. The great need is to improve the quality, standing and educational grasp of the teacher himself. Only when he can talk to top management as one who knows exactly what he is talking about can he make an impression. The ill-paid, overworked, ill-qualified teacher of the past was too obviously near the level of the students he instructed—supervisors and minor technicians.

The primary needs are:

- (i) Colleges should have a staff adequate to allow teachers to specialise in two or three management subjects.
- (ii) The staff should, further, be large enough to give teachers time to spend in industry, or to alternate between industrial and educational employment; and, in particular, to take consultancy work at appropriate fees.
- (iii) It should also be large enough and of sufficient calibre for the college to be able to undertake serious research.

Under such conditions, with the improved Burnham scale, it should be possible to attract a larger number of men to teaching who have had worthwhile business training, and thus to produce a counterpart to the American "business professor." Alternation between teaching and managing is vital, though not all educationalists will approve teachers making outside money; but unless they can (and business men will respect them more if they can) it will be hard to attract teachers who know their subject well enough to be paid by industry to practise it. Consultancy is to management instruction what pure research is to university teaching. Out of research and consultancy work will come both living and written "case studies" which are the anatomical specimens of management seminars.

On the industrial side it is clear (i) that top management will get more out of the good colleges of technology if they meet their teachers half way with facilities and (ii) that industrialists must help with the teaching. There are signs that industrialists are prepared to discuss their management problems more with the colleges, notably those from industries (like locomotive building) which have received hard jolts in recent years. Not all university teachers consider that business men can do worthwhile part-time teaching, and deny the analogy with teaching hospitals; their view is that teaching administration is a specialised, and essentially a university job. The colleges think differently, and

many believe that they are successfully training business men to teach both by courses of lectures and in seminars. In any case, managers at every level must continue to teach in their own firm's training courses. The growing number of graduates in industry should produce a more co-operative and understanding attitude from the industrial side.

The improvement of technical college teachers of management subjects, and a growing cadre of "teaching industrialists," should also raise the standards of staff college courses. It is in large part for lack of teachers that they—and especially Henley—adopt the "syndicate" method of instruction, which basically means that the students teach each other under a leader experienced in getting everyone to make a full contribution out of his specialised knowledge. Because most staff courses are so short their subject matter should be specialised and taught with professional skill.

Finally, there is the future of the graduate in industry to consider. Some can take improved management courses at colleges of technology. But, however described, this is postgraduate training and the question is whether the universities ought not to provide it. They can, however, expect to play only a small part until firms are prepared to face the cost of releasing a man for a year to take a full year's postgraduate work. There is this difficulty: a senior man is unwilling to take a year off unless he is sure he is going to be promoted thereafter, which in turn means financing a fairly well-paid man, destined for higher rather than middle management. On the other hand it is less expensive to put a young trainee through such a course, but harder to assess if it is going to be any use to him. The answer may lie in a sandwich course, under which a graduate does a first year with his employers, then an academic postgraduate year, and then further training in the firm. Some plans along these lines are being made. The universities are convinced that a year's course is the minimum in which a worthwhile training can be imparted; and they certainly have the example of Harvard to support them. But they have an academic setting, and the British industrialist (so far) feels that Harvard has a more practical atmosphere and a more realistic technique in teaching men to deal with business situations. The universities intend to discuss the problem next February.

There is certainly no future for diplomas and degrees in management, though their abandonment will mean the loss of a nice export line in parchment and engraving. Examinations, on the other hand, are perhaps necessary if work and syllabuses are to be assessed.

The business man who feels that the great bulk of formal training must still be done inside factory or office walls is no doubt right. It will also mainly be done by the big firms. But this is as true of the United States where learning by doing is a respected maxim. Good American management—especially middle management—is not the result of a record number of business degrees. It is the product of a national climate of industrial attitudes of which the schools are only one expression. Better British management can only emerge from a conviction of its "professional" dignity and importance which finds British modes of expression.

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